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Centrally Planned Economies

Economic Overview
1983

By Dr. Josef Adamek

A Research Report from The Conference Board

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Why This Report

The COMECON countries of Europe, with roughly 8 % of the world's population, constitute a market whose importance in world trade has increased. Add China and other countries characterized as ideologically Marxist, and the centrally planned economies approach 40 percent of the world's population.

These countries run the spectrum of stages of development. But whether categorized as IC's, LDC's, or NIC's, these countries are a formidable factor in world economic development. Their significance to the plans of individual companies is recognized by the business community. This report responds to many requests that The Conference Board expand the scope of its 1982 overview of centrally planned economies to include not only European COMECON countries, but also those in Asia, Africa and Latin America.

James T. Mills
President

The text and tables use the following notation and abbreviations :

$	—	United States dollar
–	—	magnitude equalling zero
0	—	value of quantity rounded off to zero
avg.	—	average
BIS	—	Bank for International Settlements
bn	—	billion = 1,000 million
CB	—	Conference Board
COCOM	—	Coordinating Committee for Multilateral Export Controls
COMECON	—	Council for Mutual Economic Assistance (CMEA)
CPE	—	centrally planned economies
DC	—	developing countries
EC	—	European Community
ECE	—	Economic Commission for Europe
EE	—	Eastern Europe = East European COMECON countries excluding USSR
FRG	—	Federal Republic of Germany (West Germany)
GATT	—	General Agreement on Tariffs and Trade
GDP	—	Gross Domestic Product
GDR	—	German Democratic Republic (East Germany)
GNP	—	Gross National Products
IEA	—	International Energy Agency
IMF	—	International Monetary Fund
mn	—	million = 1,000,000
NATO	—	North Atlantic Treaty Organization
NMP	—	Net Material Product
OECD	—	Organization for Economic Cooperation and Development
OPEC	—	Organization of Petroleum Exporting Countries
p.c.	—	per capita
SDR	—	Special Drawing Rights
th	—	thousand = 1,000
UN	—	United Nations
USSR	—	Union of Soviet Socialist Republics (Soviet Union)

I. COMMON PROBLEMS AND PROSPECTS

Some 40 years ago, there were only two countries in the world with centrally planned economies. Today there are 26. They cover nearly one-third of the globe and govern almost 40 % of the world's population. In contrast 15-20 % of the world's population live in industrialized democracies. (See Table 1.)

There are centrally planned countries on every continent except Oceania. They account for 1 % of the territory of America, 18.5 % of the continent of Africa, 47 % of Asia, and 86.6 % of the total area of Europe. (See Table 2.)

Together the centrally planned systems contribute slightly less than 20 % of the world's GDP and more than 30 % of its industrial production. But their military expenditure reaches about 40 % of the world's total – averaging some 13 % of their GDP.

The 26 countries are very different, yet they can all be characterized as having one-party systems dedicated to Marxist principles that direct the economy through central planning. Only Nicaragua and Libya claim to work under somewhat home-made ideologies. In all of these economies, the state owns a relatively high and decisive share of the means of production and has a monopoly on foreign trade.

There are marked differences in how rigidly the state systems manage economic life. North Korea is most extreme : the state has nearly total management over private life. In Hungary, a certain degree of economic choice is permitted, and even encouraged. Yugoslavia has many elements of a market economy which superficially appear to prevail. The more recently converted countries, like e.g. Grenada and Surinam, are not yet fully centralized, but are moving in that direction.

There are a number of other countries, not included in this report, that have nationalized industries, but are not ideologically Marxist, nor do they have a high degree of centralized planning.

The degree of economic development also varies widely in the 26 countries. Most industrialized are Czechoslovakia and the German Democratic Republic (East Germany), which are the richest communist nations (although their per capita income is now surpassed by oil-exporting Libya). Nonetheless living standards in these two East European states fall below those in Western industrial nations – a level they shared before central planning was introduced.

Among the poorest nations in the world are the least developed centrally-planned countries of Africa and Asia.

Table 1 : Centrally Planned Economies Compared to Rest of World

	Number of Countries	Population		Area		Exports		
		mn	%	000 km²	%	$ bn	%	$ p.c.
CPE	26	1,651	37.2	42,650	31.4	205	11.2	124
Developing Countries	114	2,000	45.1	59,402	43.7	412	22.4	206
Industrial Democracies	30	785	17.7	33,789	24.9	1,220	66.4	1,554

The moving force in all of these economies are the central Five Year Plans, now unified for 1981-85. These plans are very ambitious but seldom fulfilled, especially in recent years. High inflation rates appear in many of the countries. Poland in 1982 headed the list with 105%, followed by Laos with 60 %, Vietnam with 50 %, Yugoslavia with 40 %, Nicaragua with 35.7 %. Romania and Madagascar with more than 30 % and Ethiopia with 10 %.

In 1982, practically all of the 26 states experienced economic problems with many showing decreasing growth rates. Poland, Romania, Cuba, Vietnam, and Afghanistan faced catastrophic situations. Rationing of daily needs has been introduced in many of the countries. All, except for Libya and China, owe heavy debts to the West. Even in Bulgaria and the GDR, which have the best records in the group, economic growth is slowing year by year, investment has decreased, and debts to the West are mounting.

The major reasons for the current problems can be summarized as follows :

1. Characteristics of the Economic System itself - especially, in the current times, the lack of emphasis on human rights. In many of these countries, forced labor is used; in others, there is a steady exodus of skilled workers.

2. High military expenditures - at least 10 of the countries are heavily involved in military hostilities and/or supporting global military ventures.

3. Ideologically inspired blunders in economic policy - reflected primarily in investment plans.

4. General world - wide economic problems - from which these centrally planned economies are in no way isolated.

The overall effects are high indebtedness, nonfulfillment of most economic plans, and lower living standards than in comparable market economies (See box on page 10).

Relief for many of these nations comes from the West and through international organizations supported by the West. In 1982 the indebted communist states owed the West $ 110 billion, with the COMECON countries (including Vietnam, Cuba, and Mongolia) and Yugoslavia accounting for nearly $ 100 billion of the debt. This amount is expected to increase in the future.

Although these countries account for 40 % of the world's population, their participation in world trade is relatively low – only around 12 % in 1982. Exports per capita average around $ 125 compared to $ 206 in developing nations and $ 1,554 in the industrial democracies. (See Table 1.)

Table 2 : CPE Populations and Areas by Continent

	CPE pop. (mn)	CPE share (%)	CPE area (000 km²)	CPE share (%)
Europe*	405.3	50.7	23,677	86.6
Asia	1,168.9	47.2	12,956	47.0
Africa	63.4	14.1	5,600	18.5
America	13.4	2.0	417	1.0
Oceania	—	—	—	—
Total	1,651.0	37.2	42,650	31.4

* includes all of USSR.

There are both long and short-term reasons for the low figures. The importance of foreign trade varies greatly among the CP countries.

China and the Soviet Union, vast countries equipped with rich natural resources, are less dependent on foreign markets. Some of the states have had intentional policies of self-reliance, e.g. North Korea and Albania in the past and are only now gradually softening them. And the warlike engagements of ten of these countries naturally hampers expansion of international trade.

In some other CP states, foreign trade is an important factor in the economy. Per capita exports are high in Libya ($ 7,350), Bulgaria ($ 1,150), the GDR ($ 1,025), and Czechoslovakia ($ 970).

Most of these economies are closed with non-convertible currencies. Thus the official exchange rates vary widely with the more realistic rates manifested on the black market, as Table 3 shows.

Table 3 : CPE Currencies (ratio of free market to official rate)

	Currency	Ratio f/o
Poland	Zloty	5.4
USSR	Rouble	5.2
GDR	Mark	4.3
Bulgaria	Lev	3.0
Czechoslovakia	Koruna	2.7
Libya	Dinar	2.1
China	Yuan	1.35
Hungary	Forint	1.3
Romania	Leu	1.1

Source : Roger Kirschen & Co., Antwerp.

Because of the arbitrary exchange rates and because prices are determined by the state, it is extremely difficult to compare aggregate indicators like living standards and GDP with the West. (GDP here also has a slightly different composition than the Western measure, as explained in Appendix 1.) The comparisons are necessarily *estimates*, but according to the standards most commonly used the data would show a GDP picture like that in Table 4.

Table 4 : Comparison of GDP

	GDP ($ bn)	%	p.c. GDP ($)
CPE	2,038	17.6	1,234
Dev.Countries	1,975	17.0	988
Industrial Dems.	7,581	65.4	9,657
World	11,594	100.0	2,614

Source : L'état du Monde 1982.

High military spending in all of these states diminishes what is left for civilian spending. As a group they have nearly 11 million soldiers. This compares to NATO's 4.4 million. Table 5 shows that they spent on average 13 % of their GDP for military purposes in 1982.

This makes a big change in the GDP picture. If military spending is deducted, per capita GDP falls from $ 1,234 to $ 1,074. In reality what is left for civilian consumption is even less than this figure suggests since a great deal of military expenditure is hidden under other headings like industry, research, etc. The extremely low official figures for Nicaragua and Afghanistan in Table 5 point this out.

Table 5 : Military Expenditure

	Military Expend. ($ bn)	% of GDP
USSR	191.1 *	16.9
Poland	5.4	5.0
GDR	7.8 *	7.1
Czechoslovakia	3.3	3.9
Romania	1.3	3.0
Hungary	1.3	2.8
Bulgaria	2.0	5.3
China	37.2	11.7
Libya	3.7	15.9
Yugosiavia	3.4	5.1
Afghanistan	0.1	4.3
Angola	0.8 *	20.0
Cambodia	0.1	10.0
Cuba	1.1 *	8.4
Ethiopia	0.5	10.2
Laos	0.1	16.0
Mozambique	0.2	7.0
Nicaragua	0.0	1.6
Vietnam	1.3	14.0
Albania	0.3	11.2
Grenada	0.0 *	10.0
Madagascar	0.1	3.7
Mongolia	0.2	15.4
North Korea	3.4	17.7
South Yemen	0.1	15.7
Surinam	0.1 *	7.0
Total	264.9	13.0

Sources : L'état du Monde 1982.
The book of int'l. lists.
The War Atlas
* CB estimates.

Prospects for future development and trade with the West differ from country to country.

There have been some encouraging signs recently that many of these countries are seeking greater integration into the world economy. In 1982 and at the start of 1983 specific measures were adopted towards attracting foreign investment and increasing trade with the West – especially imports

of technology – in China, Poland, Hungary, Bulgaria, Albania, Laos, Angola, Mozambique, and Ethiopia. In Hungary and China these policies were accompanied by less rigidity in central planning.

However, these attempts are being hampered by the internal economic problems discussed above, resistance within each administration, and the poor international economic climate. The world recession brought growing protectionism as well as decreased buying power and demand. While sanctions seem more verbal than real, they still have adverse psychological effects on both sides. High debts to the West in all but China and Libya have led these countries to curtail imports.

Future trade with these nations will depend to a large extent on the overall East/West political situation, aid from the West in terms of credits and high technology, and on whether the upswing in Western economies has favorable repercussions in the developing world.

Western nations are studying and discussing their attitudes towards this trade. Most of the talks center on questions of dependence on energy imports, exports of top technology, credits, the role of foreign trade in geopolitics, and the need to coordinate their policies on these matters.

This May, NATO started discussing a gradual dismantling of sanctions against the military government in Poland. Concurrently the Williamsburg Summit of the seven major industrialized democracies stressed that " East/West economic relations should be compatible with our security interests..." and encouraged multinational organizations to analyze key aspects of the situation.

For the more detailed country-by-country analysis that follows, the 26 economies have been grouped into four categories based on certain common features :

1. The Comecon Countries of Europe
Even though the Comecon includes Mongolia, Vietnam and Cuba, those in Europe share a more common heritage and far closer relations. Various economic analyses generally segregate these European countries from the others.

2. The Strong Mavericks
A few Centrally Planned Economies have sufficient strength to stand on their own, are far less dependent upon relationships with the other Centrally Planned Economies. China, Libya and Yugoslavia are the most obvious examples.

3. War-Ridden Economies
Preoccupation with military hostilities is the most compelling factor in the economies of this group.

4. Some Old - Some New
This mixed bag of remaining Centrally Planned Economies includes the very new entrants like Surinam and Grenada plus one of the " originals," i.e. Mongolia.

Market versus Centrally Planned Economies

The relative state of economic development in centrally planned as opposed to market economies can, to some extent, be illustrated by looking at the two parts of what once were Germany, China, and Korea. The regions that now comprise East and West Germany, North and South Korea, mainland China and Taiwan had substantially different internal human and material resources even before the splits. Since their separations, they have had substantially different sources and amounts of outside support - principally from the U.S. Granting these different economic environments, the ideological commitments can be viewed as a compelling factor in accounting for the considerably lower standard of living in Centrally Planned Economies. (See table 6.)

Table 6 : Comparing per capita GDP ($)

	Germany	Korea	China
Market Economy	11,130	1,698	1,794
CPE	6,500	1,050	300
CPE as % of Mkt Econ.	58.4	61.8	16.7

II. THE COMECON COUNTRIES OF EUROPE

In 1982, Europe's COMECON countries were unable to reverse the trend of slower economic growth observed over the past decade.

Except for Bulgaria and Hungary, no central plans were met and in some cases crucial parts of them were unfulfilled. It now seems clear that only Bulgaria will be able to fulfill its overall 1981-85 Five Year Plan.

National income increased in Romania and Hungary after zero growth and a 1 % increase in 1981. But it decreased again in Poland and Czechoslovakia and continued to slow down in the USSR, GDR, and Bulgaria. (See Table 8.)

All the countries last year tried to increase exports and curb imports in order to cut the size of their debts to the West. But both Western and developing nations have been unwilling to absorb an overflow of COMECON goods. Strong protectionist barriers have been put up against low-priced products from Central and Eastern Europe with an increasing number of dumping charges levelled against the region's manufactured goods.

Where foreign trade is increasing, the rate of growth for imports is slower than for exports; similarly, where trade is declining, imports are declining more rapidly than exports. The situation is most pronounced in trade with the West. (See Table 9.)

Table 7 : Basic Data on European COMECON countries

	Inhabitants (mn)	Area (000 km²)	Density (km²)	GNP 1981 ($ bn)	p.c. GNP ($)
Soviet Union	269.2	22,402.0	12.0	1,130.6	4,200
Poland	36.2	312.7	115.8	108.6	3,000
GDR	16.9	108.2	156.2	109.9	6,503
Czechoslovakia	15.4	127.9	120.4	84.7	5,500
Romania	22.5	237.5	94.7	42.7	1,898
Hungary	10.8	93.0	116.1	47.5	4,398
Bulgaria	9.1	110.9	82.1	37.3	4,094
COMECON Eur.	380.1	23,392.2	16.2	1,561.3	4,108

Table 8 : Growth of National Income (annual % change)

	USSR	Poland	GDR	Czechoslovakia	Romania	Hungary	Bulgaria
1980	2.8	- 4.2	3.9	3.0	3.4	- 0.7	5.6
1981	2.0	- 13.0	3.9	- 0.4	0.0	1.0	5.0
1982 Plan	3.4	- 1.6	4.8	0.6	5.1	1.0-1.5	3.6
1982 *	1.9 ***	- 8.0	3.0	0.9 **	2.6	1.5-2.0	4.0
1983 Plan	3.3	2.0-2.5	4.2	2.0	5.0	0.5-1.0	3.8
1981-85 Plan	4.0	no plan	5.1	2.0-2.8	7.1	2.7-3.1	3.7

Sources : * UN-ECE ** East/West estimate *** CB estimate.

As a result, most of the countries registered favorable trade balances for 1982. (See Table 10.) As a group they achieved a $ 5 billion balance of trade surplus, since five of the countries had positive balances with hard currency areas. Hard currency debts decreased by 8 % last year, but indebtedness still remained high at $ 74.3 billion. Half of the decrease was real due to repayments, but half was due to changing dollar values. As new credits seem indispensable, debts may soon surpass the 1981 level. Table 11 gives a country-by-country breakdown of the debts.

These countries usually prefer to finance imports through supplier credits, as these are less likely to appear in international debt statistics and lessen the chances of other borrowing.

Drastic curbing of imports caused serious supply problems and retarded modernization of the industrial base. Concentrating on essentials, import priorities were shifted from machinery and equipment to food products, chemicals, and miscellaneous manufactured goods.

Table 9 : % Change in Foreign Trade in 1982

	USSR		Poland		GDR		Czech.		Romania		Hungary		Bulgaria	
	E	I	E	I	E	I	E	I	E	I	E	I	E	I
Total	8	7	5.7	- 15.5	8	1	5.1	5.4	- 9.5	- 24.2	- 1.7	- 3.0	5	5
CPE	8	15	16.8	- 2.6	8	8	9.2	11.0	3	1	- 0.2	0.2	10	9
West	8	2	- 6.8	- 30.1			- 2.7	- 10.6			1.5	- 12.2		
					10*	12*			- 17*	- 38*			- 5*	- 7*
Dev. Countries	10	- 10	0.4	- 37.7			- 9.3	- 5.8			10.9	19.5		

* grouped figure
Source : UN-ECE Economic Survey of Europe 1982.

Table 10 : Current Account Balance of Payments with Market Economies in 1982 ($ bn)

	Trade Balance	Net Services plus Transfer		Current Account
		Total	Investment Income	
Bulgaria	0.7	- 0.1	- 0.2	0.6
Czechoslovakia	0.5	- 0.3	- 0.3	0.2
GDR	1.4	0.4	- 1.0	1.8
Hungary	- 0.3	- 1.0	- 1.0	- 1.3
Poland	1.5	- 1.4	- 1.5	0.1
Romania	1.6	- 0.7	- 0.9	0.9
USSR	3.0	0.3	- 1.0	3.3
Total	8.4	- 3.1	- 6.4	5.3

Sources : UN-ECE Economic Survey of Europe 1982.

Table 11 : Net Hard Currency Debts ($ bn)

	1981	1982*	1985**
Bulgaria	2.3	1.8	1.7
Czechoslovakia	3.6	3.7	3.2
GDR	11.3	11.2	9.6
Hungary	7.8	7.9	6.7
Poland	22.4	26.0	32.3 ***
Romania	9.6	10.5	8.1
USSR	19.5	9.0	16.0
COMECON Banks	4.2	4.2	5.2 ****
Total	80.7	74.3	82.8

Sources :
* Wiener Institut f. Internat. Wirtschaftsvergleiche
** Wharton Econometrics
*** Polish Parliament March 1983
**** Conference Board Estimate.

Domestic consumption was held at a low level everywhere. Prices increased in each country, with the rate of inflation rising faster than wages. Poland was a special case, with a 105 % inflation rate – the highest by far in Europe.

The Soviet Union (COMECON's only internal oil supplier) raised its oil prices to its COMECON partners by 25-28 % in 1981 and 21-27 % in 1982. These unfavorable terms of trade were made worse by the fact that overall import prices from the USSR have risen 8 % higher than their export prices to the Soviets.

Ironically the drop in world oil prices poses a problem for these states. Oil prices in the region are based on a five-year moving average of world prices, so in 1983 the smaller COMECON nations have to pay 17.1 % more than they did in 1982, averaging $ 29/barrel. By coincidence, this is the same price agreed by the OPEC countries in March. But if OPEC drops its price further, the COMECON countries will still have to pay the USSR more than the world rate. Nevertheless, the fall in oil prices will favor importers and have negative effects in the USSR.

For the Soviet Union every $ 1/barrel drop in world oil prices reduces income by about half a billion dollars. The 1983 price cuts are expected to cost the USSR $ 3 billion. Declining oil prices may also stir Western buyers of Soviet natural gas to ask for lower prices.

In early 1983 the chiefs of the COMECON countries' planning commissions met in East Berlin and set the following priorities for the next few years :

- stable energy supplies,
- improved consumer goods,
- cooperation in mechanical engineering,
- self-sufficiency in agricultural products.

But judging from past performance future plans again seem over-optimistic. Future development is largely dependent upon investment and capital productivity, both of which have declined in these countries. (See Table 12.)

Austerity measures concentrate on curtailing investment because of fears that too drastic a cut in living standards might lead to unrest. Consequently, adjustments required to modernize the economies get postponed.

Present difficulties seem more systemic than cyclical, and thus economic conditions likely to persist include :

- continued curbing of imports,
- efforts to increase exports at any price,
- more pressure for a higher percentage of countertrade,
- high indebtedness with the need for more credits,
- difficulties in supplying consumer needs,
- retarded modernization of the production base.

While all of these states desire increased exports, they have problems offering goods of sufficient quality and technical design to meet Western demand. All of these factors and policies form a vicious circle which can hardly be changed to a substantial extent. Influences from the West are not likely to change much either. There is a general reluctance to lend further. Even though sanctions are increasingly recognized as having little real impact, they still have adverse psychological effects. Signs of recovery in the West may expand demand for goods, but it may also cut the competitive drive that led many traders to accept the risky profits of many countertrade deals.

Present predictions are for a decline in European COMECON exports to developing countries in 1983 with mixed prospects for sales to the West. The exception is the USSR, will which probably boost exports to the West by 3 %. As Table 13 shows, arms sales have more than quadrupled between 1975 and 1982 on a steadly increasing trend, with the USSR's arms exports almost 10 times that of the rest of the group combined.

Table 12 : Investment and Capital Productivity (annual % change)

	Gross Investment		Capital Productivity	
	1981	1982	1981	1982
Bulgaria	10.4	- 11.0	- 2.3	1.8
Czechoslovakia	- 4.6	- 4.0	- 6.2	- 6.0
GDR	1.3	- 1.6	- 0.6	- 4.0
Hungary	- 5.6	- 2.5	- 3.2	- 3.0
Poland	- 22.7	- 16.0	- 15.8	- 9.7
Romania	- 7.1	- 2.5	- 5.8	- 4.0
USSR	3.8	2.0	- 3.2	- 3.5

Source : UN-ECE.

Improved economic performance in these countries depends to a large extent on reforms in their system plus cutbacks in their steadily increasing arms expenditures. However neither arms cutbacks nor reforms are expected.

The last COMECON summit was in 1971. Another was expected this year, but was postponed, apparently because of disagreement on crucial issues of mutual economic relations, especially from Romania. The USSR is advocating closer integration with more joint companies, increasing specialization, and a common master plan that goes to the year 2000. But the other states seem to be pressing for more trade among themselves and with the West and are showing increasing resentment of rising Soviet oil prices.

Table 13 : Arms Deliveries (in current $ mn)

Year	USSR	E. Eur.*	Total	(1975 = 100)
1975	2,045	280	2,325	100
1976	3,085	355	3,440	148
1977	4,740	355	5,095	219
1978	5,705	550	6,255	269
1979	7,615	635	8,250	355
1980	6,290	525	6,815	293
1981	6,445	775	7,220	310
1982**	8,700	800	9,500	409

* excl. USSR. ** CB estimates.
Source : US Dept. of State : " Soviet and EE aid to the Third World," 1981.

Soviet Union

The long-term trend of slower economic growth continued in 1982 despite efforts to reverse it with a planned 3 % rise in national income. Even though this was the lowest increase ever planned, results fell short of the target.

According to official reports, Soviet national income increased by 2.6 % in real terms last year, but there are reasons to believe the actual increase was less than 2 %.

The USSR reported a 2.8 % increase in gross industrial output, with production of consumer goods growing slightly more than investment goods. Product-by-product results were very uneven, with considerable increases for products accorded planning priorities. Production of color tv sets rose by 15 %, while production of gas, electric rail engines, small instruments, and automation machinery all grew by 7 %. Turbine engine production increased by 18 % following a 20 % decline in 1981.

But there were production decreases in steel, rolled steel, steel pipes, sulphuric acid, plastic materials, steam and diesel engines, rail freight cars, automobiles, trucks, buses, cement, suits, leather shoes, and refrigerators.

Production of major foodstuffs like meat and milk has stayed about the same for the past five years. In 1982 gross agricultural output was planned to increase by 14 % to alleviate the crisis in agricultural supplies, but it actually increased by 4 %. For the second year running, grain production figures were not published, but the total is estimated at 160 to 180 million tons. In 1981-82 Soviet grain imports reached a record 46 million tons.

Cotton production fell for the second consecutive year. Sugar beet, sunflower, and vegetable production increased after decreases in 1981. Potato production increased for the second year after a 26 % fall in 1980.

Investment was reported to have risen by 2 %, but because of changing prices the real figure is probably closer to 1.6 %.

Real income increased by only 0.1 %. For the first time official Soviet results show that inflation must have existed and probably ran at 6 %. There were massive price increases in September 1981, additional increases in the summer of 1982, and raised prices on many consumer goods again in February 1983, along with increased postal charges for parcels and telephone installation costs. Difficulties in meeting consumer demand persisted.

Vigorous campaigns were launched in 1982 against worker absenteeism and loose labor discipline,

corruption, and illegal profiteering. But no radical reforms of the system were introduced. These campaigns led to increased industrial output and higher productivity in the first part of 1983, but how long these effects will last is questionable.

According to most Western estimates the Soviet Union spends about $ 200 billion a year on military expenditure, or around 17 % of GDP.

Total foreign trade increased by 8.1 % in 1982. Exports to convertible currency countries increased, but imports were curtailed. So after a record $ 4.4 billion deficit in 1981, the deficit fell to less than half a billion dollars. (See Table 14.)

Table 14 : Hard Currency Trade 1982 ($ mn)

	Imports		Exports		Trade
	1982	1981 = 100	1982	1981 = 100	Balance
OECD	25,691	104.3	25,632	106.9	- 59
Dev. Countries	3,748	61.2	3,331	113.7	- 417
Total	29,439	94.0	28,963	107.7	- 476

Source : East European Statistics Service.

Natural gas exports to hard currency regions earned the USSR another $ 3 billion. The Soviet financial position was also boosted by the sale of 200 tons of gold and $ 8.7 billion worth of arms sales, which form half the country's export earnings from developing countries. The USSR's biggest Western trading partners remain West Germany, Italy, Finland, France, and the Benelux nations.

Developing countries were no longer willing to accept bilateral clearing agreements with the USSR last year, insisting instead on trade almost entirely in convertible currency. The biggest trading partners in this group in 1982 were Iraq, Nigeria, and Argentina, because of huge wheat imports. Some centrally planned states also trade with the USSR in hard currency, as Table 15 shows.

Table 15 : Hard Currency Trade with CPE 1982 ($ mn)

	Imports	Exports	Trade Balance
Libya	1,125.8	221.0	- 904.8
China	103.4	120.1	16.7
Mozambique	6.7	44.2	37.5
Ethiopia	13.2	182.3	169.1

Source : East European Statistics Service.

The Soviet Union exported 75 million tons of oil to Eastern Europe and 20 million tons to other centrally planned and developing countries in 1982. It also took oil in repayment for arms deliveries to Iraq, Iran, and Libya, later to be resold to the West for hard currency. Exports of oil and oil products to OECD countries in 1982 reached nearly 65 million tons - a record high worth $ 17 billion in hard currency income. This compares with exports of 41 million tons in 1970 worth some $ 0.6 billion.

The USSR was able to boost its oil exports to the West because of slower industrial growth at home, diverted supplies from European COMECON countries and Cuba, and efforts to raise domestic energy output, conserve energy, and substitute gas for oil.

The large decrease in the foreign trade deficit allowed a decrease in the Soviet Union's foreign debt. But it still remains at $ 9 billion and is expected to climb to $ 16 billion by 1985.

1983 Plans

Plans for 1983 include a 3.3 % rise in national income, with a 10.5 % rise in agricultural production and a 3.2 % increase in gross industrial production. Part of this increase is nominal, as it is expected to come from price changes. The new fixed prices introduced in January 1983 and used to express the 1983 targets were 10 % higher.

A larger part of the planned increase in national income than in past years is slated for increasing personal and social consumption. Preference will be given to the production of consumer goods and development of the agro-industrial complex. While planned production of investment goods is to increase by 3.1 %, production of consumer goods is targeted at 3.5. %.

Total investment planned for is to increase by 3.2 %, with a 4.3 % rise in the agro-industrial complex to boost its growth by 3.75 %.

The major priority in the current Five Year Plan is developing production of industrial robots. Plans are to raise the number produced from 3,000 in 1982 to 100,000 in 1986 – the current figure for Japan. But the Soviet press is reporting problems in producing the robots and introducing them into factories. Another hurdle here is US proposals to put advanced industrial robot technology on the restricted sales list of the CoCom agreement (Coordinating Committee for Multinational Export Controls).

Foreign Trade Prospects

Foreign trade with Western industrialized nations, it is hoped, will expand more rapidly in 1983 than foreseen in the Five Year Plan, but countertrade will be stressed. Heavy imports are envisaged for the chemical and gas industries, ferrous and non-ferrous metallurgy, and forestry and wood-processing equipment in the Soviet East and regions along the Baikal-Amur Railway.

The Soviet Union is expected to sell 250 tons of gold in 1983, since it is estimated production will reach 350 tons. The country expects to increase gold production to 459 tons in 1990, so that it can sell some 390 tons a year, yielding about $ 6 billion annually.

Mannesman has been talking with the Soviets about sales of strip-mining and coal-processing equipment to develop huge reserves in southern Siberia. If this project goes through, it would be the largest East/West transaction since the pipeline deal. Contracts for the coal plant and mining equipment could total $ 16.5 billion spread over the next 17 years.

Pipeline

Work will continue on the gas export pipeline, aiming to begin supplying Western Europe in early 1984, when gas exports should start to grow quickly. Construction officially lags 6 months behind schedule, but there are estimates that it will take at least two years beyond the December 1984 deadline to finish the network. However existing Soviet pipelines will be able to handle the gas exports until the delayed network is completed.

The USSR anticipates earning $ 4.4 billion in annual gas sales, but if all West European contracts were renegotiated at today's prices, this total would drop by about $ 1.3 billion a year. The Soviets are now considering starting a second pipeline at the end of the decade to boost gas deliveries to the West even more. (See Table 16.)

Table 16 : Natural Gas Exports to OECD (billion m^3)

	1980	1990*	1980 = 100
OECD Total	25.6	70.0	273
FRG	10.7	22.0	206
Italy	7.0	14.0	200
France	4.0	12.0	300
Others	3.9	22.0	564

* Estimate by International Energy Agency.

In its study for the Williamsburg Summit the International Energy Agency recommended gas supply agreements with the Netherlands and Norway to protect West European buyer countries in case of a shut-off of Soviet gas supplies. It warned that Austria (which already depends on Soviet gas for 75 % of its supplies), France (which is expected to depend on the Soviets for 25 % of its supply by 1990), Italy, Belgium, and West Germany could be exposed to " special risks ". The IEA recommended that no country depend on one gas supplier for more than 30 % of its annual needs.

In May 1983 IEA members agreed to avoid " undue dependence " on a single natural gas source. Though not an IEA member, France endorsed this policy through the OECD.

Poland

The deep economic crisis continued in 1982, with national income down for the fourth year in a row a fall of 8 %, fully 25 % lower than in 1979. With exports higher than imports, distributed national income fell by 12 %, and real private consumption fell by 15 %, bringing per capita national income back to its 1972 level.

Industrial output fell by 6 % to a total some 16 % lower than in 1979. Figures were published for nearly 60 major industrial products, but compared to 1979 only 3 showed increased output. Coal production is still 15.6 % lower than in 1980.

Various industries did show increased output in 1982 : coal, energy, fuel, mining of non-ferrous metals, mechanical and precision construction, glass and ceramics, paper and printing, and ready-to-wear clothing.

But decreases were noted in the textile, woodworking, electro-technical, electronics, and iron and metal industries.

Output in private industry increased by 3 % over 1981, but the private sector represents only 5.4 % of all Polish industry.

Once again the quality of Polish goods fell. Only 22.6 % of produced items were termed first-class.

Another major problem for Polish industry is the rate of absenteeism : 11.3 % of total work time. Estimates are that labor productivity fell by 4 % last year, with industrial use of capacity reduced to 50 %.

Investment fell by 16 % and is now half the 1979 figure. At the end of 1982 the Polish government stopped work on 1,500 building sites, which froze 130 billion zlotys worth of capital investment. Only 60 % of the building projects slated for completion last year were actually finished. State-financed home building fell by 8 % compared to 1981, but construction in the private sector rose by 21 %.

Agricultural output fell by 4.5 % with livestock production down 5.8 % and crop production down 3.3 %.

Inflation 105 %

Poland's inflation rate was the highest in Europe – 105 %. The greatest price shock came in Spring 1982 when prices of basic foodstuffs exploded by 400 %. During the year the quantity of money in consumers' hands nearly doubled but consumption of goods still declined. Average wages increased by 55 % with industrial wages up 70 %, but real income fell by 10 to 15 %.

Difficulties in supplying the basic needs of the population are only partially being offset by rationing and the black market. A Central Statistical Office survey showed that 8 % of the population are unable to buy basic food and clothing. About 31 % are coping only by buying the cheapest goods. Only 2 % consider their incomes sufficient to cover all their needs.

The difficulties of overcoming the crisis stem from both past developments, which brought the economy to unprecedented weakness, and present attitudes of workers and leaders. The workers are frustrated by the military regime, which seems unable to induce higher productivity through force. The peasants also have little confidence in the government. Competition is permitted, but management is resisting it. For instance, the dissolved cartels have started up again.

All of these factors are diminishing the impact of the proclaimed reforms aimed at easing the crisis.

Because of resistance from the " nomenclatura " (administrative infrastructure of the party, state and industry), promised reforms turned out to be verbal commitments only. So-called " Operational Programs " reintroduced a more rigid system of economic planning that covers 70-80 % of production.

Until now the economic policy has only affected the demand side (wages and prices), but has had little impact on the supply side (output, labor rationalization, and productivity). This is leading to inflation and a lack of goods. Short supply of consumer goods makes it difficult to reward higher productivity and the lack of industrial goods impedes higher production. The fall in inports is also causing production problems because of shortages of raw materials, semi-manufactured goods, and spare parts.

Outside help was not forthcoming. On the contrary, economic relations abroad increased the internal difficulties. Poland imported less from COMECON countries than it exported to them (rises of 2.1 % and 14.5 % respectively). The debt to COMECON countries at the end of 1982 amounted to $ 5 billion.

Credits from the West fell from $ 4.9 billion in 1981 to $ 1.6 billion in 1982, and no new credits were granted after martial law was decreed.

In 1982 Poland recorded its first trade surplus with hard currency areas since 1971, but this was due to a disruptively large drop in imports. They were down 26 % in dollar terms and perhaps a third in volume terms – offsetting a 9 % fall in the value of exports. The overall value of Poland's hard currency trade has therefore fallen for the second time since 1980.

Total exports increased by 5.7 % while imports fell by 15.5 %, resulting in a $ 1.0 billion trade balance surplus. This compares to a nearly balanced situation in 1980 and a $ 1 billion deficit in 1981.

There is little hope that Poland can pay its existing debt to the West of some $ 26 billion. This June Poland proposed spreading repayment of its Western debts over 20 years after an 8-year grace period. In the interim, it said, it would need low-interest hard-currency credits, because it could not repay existing debts without them.

Earlier this year the government asked Western banks for a three-year rescheduling of its debt service due in 1982-83. In mid-April the working group of eight Western banks met in Zurich to discuss the Polish debts and agreed to open talks with the Polish government in mid-June in Warsaw.

Poland has made no payments on its official debts since the end of 1981. Payments due in 1982 on its private debts are being rescheduled through agreements with creditor banks.

The debt problem is seen as a long-term one. There are views expressed that the debt servicing will be impossible if new credits are not given. Some Polish economists are saying that the debts do not need to be paid back, but only serviced in agreed terms.

Poland now has a $ 13.7 billion debt to Western governments, with most of this owed to West Germany, the US, France, and the UK. It is not making repayments because there is still no rescheduling agreement. The West is reluctant to declare Poland in default because it fears the Western banking system might be damaged in the process. Thus Poland is receiving a hidden subsidy. This was pointed up by the fact that Poland included $ 3 billion in unpaid 1983 debts as a saving in its current budget.

It seems almost impossible for Poland to repay its debts since it is not feasible for her to reduce imports and increase exports simultaneously, as many exports depend directly on imported goods. With this in mind the Polish parliament expects the debt to rise to $ 28.5 billion by the end of 1983 and to $ 32.3 billion by 1985.

Still, results in the second half of 1982 were better than in the first half and further improvement is expected. Thus future plans are relatively optimis-

tic, calling for 1983 national income to rise by 2 to 2.5 %, with industrial production growing by 4 %. Stress is being laid on growth of agricultural engineering (+ 15 %), the chemical industry, wood and paper, light industry, and stabilization of raw material production. Crops are expected to increase but livestock production is expected to decrease. Most of the production gains should be used to cover external debts. There is a planned ceiling of 9 to 10 % on official retail prices, but unofficial Polish sources predict on 20 % hike in the inflation rate in 1983.

Poland's foreign trade plan with hard currency areas envisages a 12 % rise in exports in 1983 with only a 6 % increase in imports to create a $ 700 million surplus.

There is great hope of renewing exports of raw materials, and this is already succeeding to a high degree. In 1981 Poland exported only 15 millions tons of coal, about half the amount exported in 1980. But by August 1982 coal exports had already surpassed the 1981 figure. Poland managed a record export of sulphur last year. Copper production reached 340,000 tons and silver production 643 tons. In 1983 income from metal exports – especially copper, silver, zinc, lead, and cadmium – could reach $ 450 to $ 500 million.

However, with prices of a chief export, coal, dropping, it is questionable whether the $ 700 million surplus can be achieved.

Export problems arise, however, from poor quality goods and late delivery, both of which are criticized even by the Soviets. There will almost certainly be problems too in exporting industrial goods, due to insufficient imports and recession in the West. The plan's assumed new credits of $ 800 million from the West in 1983 do not seem sure either.

Prices of Soviet oil are expected to rise by 19 % in 1983 and gas prices are expected to go up by 17 %, which could put additional strains on the country's balance of payments.

In mid-March the government announced a three-year austerity program for 1983-85. It envisaged a 14 to 16 % increase in industrial output, mainly through higher labor productivity, longer working hours, more efficient management, cutting waste and energy consumption, and cuts in civilian services. The program also aims to reduce inflation to single figures, scrap some investment projects already begun, and switch about 100,000 workers from industry to the services sector. It includes a financial package to entice some 500,000 workers back to work from early retirement programs. The government also plans a luxury tax and re-introduction of the abandoned income tax.

Real consumption is expected to increase by only 3 % in 1983. Thus only in 1990 would consumption reach the level of the 1970's. Rationing of basic foodstuffs is planned to last through 1985 at least. Plans are to use much of the added income resulting from the program to finance exports and meet foreign debt payments.

Foreigners now have the right to use Western capital to establish private companies in Poland, retaining up to 50 % of the profits made on exports. Many former Polish emigrants are taking advantage of the program.

German Democratic Republic

After achieving 3.9 % growth in both 1980 and 1981, growth of the economy slowed to 3 % in 1982, its lowest rate in 20 years. Still, only Bulgaria showed a higher growth rate among the European COMECON states.

Officials claim industrial production rose by 3.2 %, but some experts consider this figure too high. There was a record grain harvest of 10 million tons, but agricultural production still fell by 0.8 % because of a drop in livestock production. Overall productivity rose by 3.6 % while investment was down by 1.6 %.

The net income of the population was up by 3 %, but real private consumption decreased because of price rises. Retail trade turnover decreased 1 % over 1981, reflecting a deterioration in supplies of food and consumer goods.

In 1982 the GDR had the greatest food shortage since the early post-war years. There were serious shortages of meat, sausages, butter, milk, cheese, rice, cooking oil, noodles, cocoa, almonds, raisins, oatmeal, and baby food. The fat content of butter and milk and the sugar content of soft drinks were reduced. Food shortages were worst outside the main industrial cities, especially in the North.

The decrease in retail trade turnover and shortages of consumer supplies are explained by efforts to decrease foreign indebtedness. But they also suggest that either production growth figures were exaggerated or the difference disappeared into military spending and commitments on other continents. More than 7 % of GDP was dedicated to military expenditure.

There is high though disguised, unemployment, with both machinery and workers idle. A campaign similar to the USSR's was launched to fight carelessness and waste and last year the GDR managed to decrease raw material and energy consumption by 6 %. But Party First Secretary Honecker conceded that 7 West German workers produce as much as 10 East German workers.

The GDR achieved a $ 1.8 billion trade surplus with the West through a stringent policy of forcing exports to the West while slashing imports. This helped to reduce debts from $ 11.3 to $ 11.2 billion, but if new short-term supplier credits are counted, the total indebtedness rose slightly to $ 11.4 billion.

Curtailed imports deprived the economy of essential goods, like fodder, which in turn caused reduced agricultural production and further prob-

lems in consumer supplies. Lower imports in the future will probably slow down modernization of the economic base. Further problems were caused by the USSR reducing oil deliveries by 10 % and boosting the price by 20 %.

Increased trade with West Germany was the primary factor in building East Germany's 1982 trade surplus decrease in overall debt. Its exports to West Germany amount to $ 2.6 billion, more than total exports to the rest of the OECD countries combined. Last year exports to West Germany rose by 10 % while imports were up 16 %. East Germany used DM 582 of the DM 850 swing credit extended by the FRG. This swing was reduced to DM 770 million in January 1983, and will go down to DM 690 million in 1984 and to DM 600 million in 1985.

Plans for 1983

The plan for 1983 has an ambitious target of 4.2 % economic growth, with a 3.8 % rise in industrial output and 1 % growth in agricultural production. Retail trade turnover and net income of the population are to expand by 3 % under the plan, and investment will slide to 13.5 % below the 1982 level, with half going to industry. Priority areas will be micro-electronics, the energy base, and development of raw materials and semi-manufactured goods. Investment for production rationalization should expand by 16 %. The plan envisages 30,700 industrial robots working in all sectors of the economy by the end of the year.

The main emphasis in 1983 will be on mobilization of raw material reserves. There have been intensified collections of old iron, paper, glass, man-made materials, and fat waste. Hopes are for some 450 kinds of recycled materials (mostly iron and steel, paper, and glass) to make up 11 % of the total consumption of raw materials this year. To counter the energy gap there will be a shift from road to rail transport for goods and increased mining of lignite from 258 million tons in 1980 to 295 million tons in 1985 and 300 million tons in 1990. By 1992 a big coal liquefaction plant should be producing 10 million tons annually.

The plan foresees a 13 % expansion of foreign trade this year, almost all limited to export growth.

All of these aims seem difficult to achieve without a deterioration in consumer supplies. In particular, it will be very difficult for the GDR to expand production if the level of investment falls by 13.5 % and there is no increase in imports.

Czechoslovakia

Economic growth decreased for the second year running. Official figures initially reported 0.2 % growth for 1981, but more recently revealed that the real figure was −0.4 %. Experts say there was a 0.9 % decrease in produced national income in 1982, with distributed national income some 5 to 6 % lower than in 1980.

Last year both industrial and agricultural output rose by 1 %. But livestock production fell by 4.2 %, contributing to a 0.8 % decrease in the foodstuff industry. Construction was down by 4.6 %. Out of 39 priority investment projects, only 23 were completed on schedule.

Coal production decreased by 0.2 %, crude steel by 3.8 %, rolled steel by 1.3 %, cars by 3.9 %, computers by 2.1 %, and washing machines by 1.3 %. But there were increases in the production of lignite (+1.9 %), electricity (+1.6 %), trucks (+3 %), and tractors (+4.4 %).

Official figures show investment down by 1.1 % in 1982 following a 1.9 % decrease in 1981. But more realistic estimates indicate a 4.6 % decrease in 1981 and a 4.0 % decline in 1982.

According to official reports, living standards remained about the same as in 1981. Retail trade, said to have increased by 2.9 % in nominal terms, actually fell in real terms because of high price rises. Prices increased again in January 1983, especially for meat and meat products.

Total exports and imports increased to centrally-planned countries but decreased to other countries. Imports from non-socialist nations dropped more significantly than exports, bringing a trade surplus.

1983 Plans

Plans for 1983 include a 2 % rise in national income, a 2.4 % increase in industrial production, and a 2.7 % rise in agricultural output. These increases are supposed to be used to achieve a better foreign trade balance. Private consumption is planned to rise by 1.3 % while investment decreases.

Priority will be given to growth in industries that supply high technology, use domestic raw materials, and are less energy and material intensive. Production shares of metallurgy, chemicals, and building materials will go down. Energy production planned is to rise by 1 %, but construction of thermal power stations will be stopped while stress

is laid on atomic energy. Engineering production is to increase by 4.8 %, with 8.4 % of output slated for export.

Approval was given for a long-term restructuring plan for the steel industry, that calls for reduced imports of iron ore and stresses the quality rather than the quantity of production. In 1982 steel production reached 15.3 million tons – the world's biggest per capita output. In 1983, plans call for a drop to 14 million tons with an increased share of high quality steel. To succeed the plan requires increased steel exports and international cooperation, including purchases of machinery and know-how from the West.

The trade balance with the CPE countries should remain even, but officials hope to achieve a surplus with non-socialist countries in order to decrease indebtedness. Newspapers have reported that Western banks were trying to persuade Czechoslovakia to abandon its reluctance to increase its debts with the West, as other COMECON countries have done before.

Romania

National income rose by 2.6 % in 1982 after zero growth in 1981. Industrial production increased by 3.3 %, with coal production up by 2.4 %, oil up by 0.9 %, and gas up by 10.9 %. Steel production remained stagnant at 1981 levels. Production of electricity decreased by 2.2 % and aluminium fell by 13.3 %.

Record crops led to a 7.6 % rise in agricultural production, but still fell short of planned targets. Sugar and processed meat production fell. Investment dropped by 2.5 % after a 7.1 % fall in 1981.

The nominal income of the population increased by 8.8 % but price rises of some 30 % caused a fall in the level of real income. Meat is rationed at 1 kilogram per month along with some other foodstuffs. Food shortages provoked rebellions in some regions. President Ceausescu urged the people to lower their calorie intake. By 1985 the total daily intake of calories should be reduced from 3,300 to 2,800 or 3,000 calories, but many have problems affording even this amount.

A new law adopted at the end of 1982 allowed workers to buy bonds from their enterprises, amounting to 30 % of capital. The investment was to be blocked for five years, bringing 6 % interest. The capital offered amounted to 630 billion Lei, but total personal savings reached only 110 billion Lei at the close of 1981. The average annual salary is 2,240 Lei, while the minimum bond available cost 10,000 Lei.

Foreign Trade

The volume of foreign trade decreased, with total exports down 9.5 % and total imports down 24.2 %. This difference brought a trade surplus of $ 1.6 billion, which was used to reduce the debt from $ 10.5 billion to $ 8.1 billion by the end of 1982.

Romania met with 14 of its biggest Western bank creditors in December 1982 and reached an agreement to reschedule 80 % of its outstanding debt for 1981-82. It was to pay almost $ 2 billion over 6 1/2 years after a three-year grace period, with the remaining 20 % to be paid by March 1983. The $ 600 million debt due in 1983 was rescheduled last January, with 70 % to be paid in the same way as the latter agreement and 30 % to be paid during the second half of 1983. At the end of March the International Monetary Fund approved a further $ 400 million installment of its stand-by credit to Romania.

Plans for 1983

In 1983 planned national income is to increase by 5 %, industrial production by 6.6 %, and agricultural production by 5.1 to 5.6 %. Investment planned is to rise by only 0.7 %, with the real income of the population going up by 4 %.

Much emphasis is being laid on energy development and cutting energy consumption. There are plans to switch electricity generation away from oil and gas, relying more on coal and nuclear power. Romania aims to produce 14 million tons of oil this year and 15 million tons in 1985. Prospecting tests in the Black Sea showed off-shore deposits and the first two platforms are supposed to be operational in 1984 or 1985. The drop in world oil prices could prove beneficial, since oil supplies for the country's major petrochemical complex cannot be filled by home production.

Future plans include high increases in exports and further cuts in imports. Countertrade will be stressed, with requirements that each deal include exports of at least the same value as imports. Officials hope that foreign trade will grow by 13.5 % in 1983, with total exports up by 18 % and hard currency exports up by more than 19 %. Imports, on the other hand, will be cut by 20 %. They hope this policy will substantially reduce foreign debts and even eliminate them by 1985. However, drastic cuts in imports can be expected to cause many problems in the economy and slow down modernization of industry and agriculture.

Romania asked the USSR for a rescue package in which the Soviet Union would step up oil deliveries and take payments in goods or roubles instead of hard currency. Romania also bid for a COMECON food program enabling her to import more food at bargain prices. But both proposals were rejected by the Soviets and other COMECON partners.

To help foreign currency income, the government has created a way of virtually exporting people. Permission to emigrate costs $ 6,800 to $ 21,200 per person, to be paid in hard currency by relatives or friends living abroad. There was a danger that the policy could permanently lose Romania its most-favored-nations status in the US, thus diminishing hopes of hard currency gains through exports there - its second largest OECD trading partner after West Germany. If this happened, Romania would lose $ 200 million in export earnings a year.

Protesting against this policy, West Germany refused to enter negotiations on the rescheduling of Romanian debts. Romania responded by lifting the ruling for ethnic Germans. The government then announced its intention to repeal the measure completely. After that the US prolonged Romania's MFN status for another year.

Hungary

After a 1 % increase in 1981, national income grew by 1.5 to 2 % in 1982. Industrial production increased by 2 %, mainly because of the foodstuff industry, engineering, and energy production. The chemical sector and light industry stagnated while metallurgical production decreased. Thanks to a record crop (up 15 %) agricultural output increased by 5 %. Investment was down 2.5 % after a 5.6 % decrease in 1981.

Imports fell more than exports, especially from hard currency areas, but debts stayed at almost $ 8 billion.

Nominal wages in the state sector rose by 5.6 % while retail prices rose by 7.6 %. Thus the level of real wages fell to 1980 levels. Increased income in other sectors led to a 0.5 % rise in the population's real income, but prices continued to go up. At the start of 1983 there were price increases for bread, coffee, gasoline, rents, and transport. For the first time in years there were shortages of certain articles, especially sugar.

Hungary now aligns the forint with world currency movements by adjusting its value against a trade-weighted basket of Western currencies. This led to an average devaluation of 11 % in 1982 and another 3 % in the first four months of 1983.

An austerity plan is laid out for 1983, with economic growth pegged at 0.5 to 1 % – the lowest since World War II – and production growing by 1 to 2 %. The government is asking Hungarians to tighten their belts. Domestic consumption is being lowered in order to export more to the West and service debts. But the government has promised to make good the cuts in living standards with income increases in 1984-85.

Distributed national income is supposed to decrease by 3 to 4 % with real personal income down 2 to 3 %. Inflation is estimated at 7.5 % and unemployment is foreseen. Despite these predictions labor shortages are appearing in expanding sectors. These are not being filled by workers from other sectors; foreigners are being hired instead, especially Poles and Czechoslovaks. At the same time Hungary announced this June that its citizens will be allowed to work abroad – even in the West – " to gain experience."

Imports are to stagnate in 1983 while exports continue to grow. Import substitution should intensify. There is a one-year freeze on new big investments, with total investment slated to drop by 10 %.

Hungary's $ 8 billion debt burden is among the highest in COMECON, on a per capita basis. But

the West seems to have confidence in the Hungarian economy. In 1982 Hungary secured about $ 1.6 billion in Western credits and it is looking for more.

Hungary already has two World Bank loans and is seeking a third. The Bank for International Settlements arranged a $ 510 million credit in April 1982 and gave a $300 million stand-by credit in September. In August Hungary obtained a $ 260 million " club loan " plus some smaller credits from commercial banks. In December the International Monetary Fund decided to make available SDR 547 million (more than $ 580 million). But the IMF asked for austerity measures, including a 4 % cut in real wages in 1983, in return for the stand-by loan.

During the first few months of 1983 Hungary obtained a $ 200 million credit from a consortium led by Deutsche Bank and a $ 100 million credit from Arab and other banks. At the end of April the BIS granted another $100 million bridging loan.

Economic Reform

The economic reform of 1982 resulted in growing numbers of small enterprises. Cooperatives of 15 to 100 people are entitled to deal in repairs, production of spare parts, and tourist services. Private enterprises of 2 to 30 people are allowed to deal in city sanitation services, gardening, and transport. In Budapest alone 1,200 economic associations and 48 small cooperatives have been established.

But this private sector, or " second economy " as it is called, in 1982 accounted for only 1.3 % of industrial production, 1 % of agricultural output, and 1.1 % of retail sales. It is most developed in the services sector. Estimates are that some 70 % of the work force participates in the private sector, often by moonlighting. Exact figures of the second economy's work force are not available, but it is known that over the past five years some 150,000 workers have left manufacturing to work full-time in services and retailing.

Rubik, inventor of the Rubik cube, has set up a 7 million forint fund out of his own pocket to help fellow innovators. The fund now participates in some 150 projects in industry and agriculture.

The reform also led to less central planning in agriculture. The government even established a bond market for state companies and cooperatives and issued municipal bonds which were made available to the general public. Establishment of a stock exchange at some future date is not considered impossible.

But private enterprises still encounter many problems : a steep rise in energy costs, government limits on their freedom to maneuver, and a fundamental commitment to full employment. The government also maintains a veto right. The National Bank refused credits to enterprises having difficulties and in the first half of 1982 fifty of them defaulted.

Bulgaria

Despite a third consecutive year of a slowdown in growth, Bulgaria continues to lead the European Comecon group in raising national income −4 % in 1982.

Industrial production increased by 5 % and agricultural output by 4.7 %, with crops up 6.4 % and livestock up 3 %. Real per capita income increased by 3 %.

Investment dropped by 11 % in 1982 and was used mostly for modernization, reconstruction, and extension of existing plant capacities. Priority was given to engineering, aiming to decrease imports of equipment for mining and the foodstuff, chemical, and rubber industries. Some investment was also made in electronics.

Some targets of the 1982 plan were not fulfilled and in many fields production capacities were reached more slowly than expected. Production of steel, machine tools, buses, fertilizers, shoes, sugar, and soft drinks fell below plan. Consumption of energy and raw materials was higher than expected. Nuclear energy is considered very important and in 1982 supplied one-third of total energy needs, making Bulgaria the world's third largest producer of nuclear energy.

Economic reforms loosened some planning rigidities and gave more independence to enterprises, bringing some positive results. More direct contact between Western exporters and Bulgarian users are now possible.

Total export and imports increased in 1982. But with the hard currency countries imports decreased more than exports, allowing Bulgaria to achieve a $700 million trade surplus and cut its debts from $2.3 billion to $1.8 billion.

1983 Plans

Plans for 1983 set national income at plus 3.8 %, to be achieved largely through increased productivity. Industrial output is to increase by 4.8 % and agricultural production by 2.7 %. Real income is to go up by 2.8 % and foreign trade by 8 %.

Increased foreign investment and participation are scheduled for tourism and selected industrial projects like the handling of materials. Bulgaria now has 180 industrial cooperation agreements with countries outside COMECON. Its 82 functioning joint ventures are prospering and the climate is good for more to be established.

III. THE STRONG MAVERICKS

Three of the centrally planned countries have to be treated as special cases: China, Libya, and Yugoslavia.

China is a super power with specific problems. Recently she opened her markets more and hopes arose for businessmen from the West.

Libya is an exceptionally rich country due to its oil production and the way it uses its excess currency reserves in Western financial markets.

Yugoslavia is a special case because it has many elements of an open market economy, even though its system is based on a one-party Marxist rule. Present economic difficulties could be partly alleviated by recent Western help.

Table 17 : Basic Data on Strong mavericks

	Inhabitants (mn)	Area (000 km²)	Density (/km²)	GNP 1981 ($ bn)	p.c. GNP ($)
China	1,058.0	9,597.0	110.2	317.4	300
Libya	3.1	1,759.5	1.8	23.2	7,500
Yugoslavia	22.5	255.8	88.0	67.5	3,000

China

After many years of difficulties, China's economy expanded rapidly in 1982, thanks mainly to less rigid centralization. GDP was up by 9 %, total production was up by 8.7 %, and national income by 7.4 %.

Agriculture got priority and grew by 11 %. Grain output, up 8 %, reached a record level of 353.4 million tons, making China the world's second largest producer of cereals. Industrial crops also increased, including cotton (up 21.3 %), oleaginous plants (up 15.8 %), and sugar (up 21 %). But livestock production was modest.

Industry grew by 7 % with light industry up 5.7 % and heavy industry up 9.9 % after two years' stagnation. Among major industries, coal rose by 7.1 % to 660 million tons, crude oil by 0.9 % to 102.1 million tons, electricity by 5.9 % to 312.7 billion kwh, and steel by 4.4 % to 37.2 million tons. But production of tractors, machine tools, natural gas, and insecticides all decreased.

There was an impressive rise in production of some consumer goods, including beer (up 28.6 %), bicycles (up 38 %), sewing machines (up 23.8 %), cameras (up 19.1 %), color televisions (up 89.5 %), and washing machines (up 97.7 %).

But China experienced some problems with energy supply and transportation. There were also some misguided investments and many industrial enterprises reported losses. Investment was concentrated in 116 large and medium-scale projects, with the biggest in the energy field.

Consumer supplies rose by 9.4 % with prices up only 1.9 %. Unemployment is now estimated at some 11 to 12 % of the urban work force.

Foreign Trade

Foreign trade increased by 5 %. Exports were up 12.7 % with industrial goods accounting for 55 %. Receipts from tourism rose by 13.2 %. Imports were down 2.7 %.

At the end of the year China had $ 4 billion worth of foreign debts, but some $ 9 billion in hard currency reserves. In 1983 it expects imports to increase substantially, with $ 23.9 billion projected for exports against $ 21.6 billion for imports. The emphasis here will be on importing equipment to modernize and expand existing plants and raw material production. Foreign investment reached $ 3.2 billion in 1981 and increased in 1982.

1981-85 Plan

The sixth Five Year Plan for 1981-85 was approved in December 1982. Assuming a quadrupling of 1981's gross industrial and agricultural output by the end of the century, it projects a 4 % annual growth figure for each sector between 1981 and 1985. The plan's main aim is to modernize and readjust the economy and improve living standards. Towards this goal, the government has introduced severe measures to hold down population growth, aiming at a total under 1.2 billion by 2000.

By 1985, per capita consumption is supposed to be 22 % above the 1980 figure, but this is based on yearly population rises of 1.3 % or less. The country's 115 million urban work force will receive a general pay rise of about 8 % this year – the first since 1977-79. But the government plans to re-acquire a big slice of this by pushing workers to buy bonds. The first bond issue was opened in 1981 and was only offered to work units and collectives.

Plans for Industry

Light industry is scheduled to grow by 5 %, with emphasis on the production of foodstuffs, electric appliances, packaging machinery, car assembly lines, and the establishment of textile factories and dying shops.

Heavy industry is expected to grow more slowly, at 3 %. There are plans to increase oil prospecting, especially off-shore wells, with an annual production target of 100 million tons. Investment will go mainly into hydroelectric and thermal power stations, transport, and telecommunications. " Key enterprises ", like iron and steel works, coal mines, caustic soda plants, and the machine building industry – will be considerably improved.

In the energy sector, there is stress on economizing consumption. Poor coal and oil shale will be used to produce electricity; supply grids will be modernized; and nuclear energy stations will be built. But priority is still given to coal mining, which supplies 70 % of China's energy needs. Production totalled 660 million tons in 1982 and is slated to reach 1.2 billion tons by the year 2000.

Foreign Trade Prospects

An annual growth rate of 8.7 % is planned for foreign trade, with the value increasing from $ 40 billion in 1982 to $ 160 billion by 2000. Exports are expected to grow by 8.1 % with increases in textiles, native products, oil, coal, and some rare metals.

Imports are projected to grow 9.2 % annually. During the Five Years Program of industrial modernization, China intends to spend $ 15 billion a year to import 3,000 items of advanced technology. These include whole petrochemical plants, computerized machine tools, automated assembly lines, and high technology manufacturing processes.

Investment Possibilities

Direct investment by foreign firms and joint ventures are being encouraged. Foreign loans and investment are expected to supply the capital necessary to provide the advanced technology needed to increase productivity and exploit natural resources.

Between 1980 and 1982, the Guangdong province alone was to have signed more than 10,000 contracts of technical cooperation with foreign firms, representing investments of $ 1 billion. But fell far short of its goal.

At the moment, China has some 400 joint ventures with foreign companies. In 1983 China announced it had 500 projects which needed technical and financial help from abroad. These mainly concerned modernization of medium-sized enterprises.

Even Taiwanese investors are being attracted to new ventures in China's special economic zones. Part of the bait are promised concessions that go further than general taxation and pricing. But the Taiwan authorities regard private commercial dealings with mainland China as virtual treason and have already jailed venturing businessmen.

In general, technical cooperation is particularly sought in agriculture, energy, transport, telecommunications, light industry, and petrochemicals. China is also seeking foreign investment to develop 20 huge coal mines. Some $ 700 million in foreign capital has already been invested in these projects. China prefers to repay these investments in coal deliveries and coal products.

This spring, China granted five large exploration concessions in the South China Sea to an international group headed by the British Petroleum Corporation. It is believed that off-shore China could match the North Sea in oil-producing capacity.

The World Bank agreed to sponsor eight schemes, committing $ 870 million to them. The energy field (coal, oil, and hydroelectric power) will get $ 260 million of this. The rest will go to ports, railways, agriculture, and education. New projects under discussion concern urban development shemes – anti-pollution, housing, water supply, and health.

To improve China's business management skills, the World Bank has teamed up with the Chinese Finance Ministry to run an economic development institute in Shangai, which has already trained hundreds of officials.

The government has expressed intentions to extend greater liberties to foreign enterprises. Contemplated, for example, are provisions to allow wholly owned foreign ventures with the foreign owner having full profit and loss managerial responsibility. But enabling legislation may be stalled because of the differing attitudes of the central and provincial bureaucracies.

China also plans to make substantial investments in natural resource projects around the world. It is exploring the possibilities of joint ventures in North America, Australia, Africa, and Southeast Asia in iron ore, alumina, paper pulp, fertilizers, and fishery projects.

Reforms

The pace of reform in managing the economy has quickened considerably since the start of 1983. Extensive changes in personnel are taking place at all levels, with the stress away from ideology and towards professional competence. The key of the new formula is the " responsibility system " introduced in September 1982. This uses bonuses, commissions, and competition as incentives and encourages private initiative and the profit motive. Farmers have fixed quotas for delivery to the state at fixed prices, but anything produced above those quotas may be sold privately on the free market. Professionals like doctors are now permitted to practice privately, and more local private businesses will be allowed.

Enterprises now pay taxes instead of submitting all profits to the state. To improve individual performance, employers now have greater flexibility in hiring and firing employees. This latter reform has only recently begun. To date only 1.5 % of state companies are using the new system. Symbolic of China's new attitude is the recent nomination of two representatives to parliament from private business. The new system bears some similarity to those in Yugoslavia and Hungary. It is intended to rejuventate China's sluggish economy, which slowed down under the former more rigid, system. But there is strong opposition to the reforms from the nomenclatura, or ruling class, which is trying to slow down their introduction.

Other obstacles to the reform's success are lack of a trained labor pool in scientific and technological fields (almost a quarter of the population is illiterate) and minimal progress in modernizing agriculture. This sector needs improved seeds, fertilizers, machinery, and a new pricing system.

Libya

The two main ingredients of Libya's recent economic development are its high oil earnings, which give it the highest per capita income among both the CPE and African states, and the economy's speedy transformation towards a fully-fledged centrally planned system.

The state now owns 90 % of the means of production. It has total ownership of the banking sector and the energy, cement, transport, investment goods, and building industries. It owns 90 to 95 % of industries like textiles, foodstuffs, and petrochemicals, and 70 % of crude oil. State farms produce 12 % of agricultural output and cooperatives another 28 %. The state also has more than 60 monopolies in foreign trade covering particular industries.

The standard of living is relatively high, but there are still scarcities of some goods. The black market is flourishing. Agricultural capacities are not being fully used because of bad management and insufficient inducement to increase performance. Many foreign guest workers are still being used.

Efforts are being made to expand agricultural production and achieve self-sufficiency in staple foodstuffs. A complex program for agricultural development between 1973 and 1983 lays out plans to develop the land, expand acreage to nearly 4 million acres, and considerably increase fertilizer production.

Oil exports dropped from 1.7 million barrels/day in 1982 to 850,000 barrels/day in 1983. When the world oil situation began deteriorating in early 1982, Libya heavily curtailed imports and cut back on planned projects for 1983. There will be fewer imports of consumer goods in 1983 and car imports will be halted completely. Colonel Quadafi characterized these measures as " indispensable to prevent a menacing economic crisis." Libya's earnings from tourism have also been decreasing gradually.

Plans for future development are very ambitious. The 1981-85 Plan envisages 9.4 % annual growth, with industry up by 21.6 % and agriculture up by 7.4 %. Manufacturing is expected to grow by 22.4 % and electro-energy production by 14.8 %. The plan calls for the non-oil sector of national income to increase from the 35.7 % level in 1980 to 53 % in 1985.

Investment

The bulk of investment will be directed into state enterprises, with agriculture getting 17 %, heavy industry 15 %, the transport, electrical, and telecommunications industries 11 % each, and homebuilding 9 %.

The government hopes to develop the petrochemical industry and create a metallurgical base with iron, aluminum, and other metals. Foreign capital participation from mixed companies like Fiat and Massey-Fergusson is expected to help create an engineering base. There are also plans to develop the cement industry and build new electricity stations.

The plan expects exports of petrochemical products to replace oil exports to a large extent. It projects a 7.7 % yearly growth in imports, with a changed structure. An 11.7 % annual increase in engineering imports is supposed to take them from 24.5 % to 29.5 % of total imports.

The economic plan puts a lot of stress on mobilizing internal reserves through taxes and the state-owned banking system. Some 87 % of the state budget now comes from oil exports. An important factor here is Libya's export of state capital to international financial markets. It grants credits for industrial production in developing countries, creates special mixed production and transport companies, buys shares in industrial firms, etc. Libya has been trying to increase its participation in Fiat from 9.5 to 13 %.

Yugoslavia

The economy stagnated in 1982 for the first time in 25 years. Agriculture was up by 7 % and forestry rose by 5 %, but industrial production decreased by 0.3 %. Investment dropped by 6 to 7 % and unemployment reached 12 %.

Production of hydroelectric power fell by 4 %, oil by 1 %, crude steel by 5 %, copper by 6 %, and lead by 10 %. By contrast, engineering production was up 2 %. Costs rose and use of capacity diminished. The industrial work force was up 3 %, but labor productivity fell by the same percentage.

In the building sector, production fell by 6 % and productivity was down 3 %. The transport and tourism sectors were also down over 1981.

For the third year running, total exports showed an increase while imports declined. In 1982 exports were up by 1 % with imports down 8 %. This curtailment of imports is one cause of production difficulties.

Nominal income was up 28.4 %. But since retail prices rose by 31 %, real personal income was down 2.4 % – 25 % lower than in 1979.

The main reason for the economic problems is Yugoslavia's long-term policy in the past of increasing external indebtednes to pay for current consumption. By the end of 1982 its total debt amounted to $ 20.6 billion. On a per capita basis this debt figure is even higher than Poland's.

The country's unique system of giving high autonomy to management within a centrally - planned economy leads to high incentives, but also some wastage. Conflicting demands by the six republics, representing different ethnic nationalities, increase the wastage and contribute to economic problems. In spite of its positive elements, the Yugoslav system has not been able to overcome the usual disadvantages of central planning, e.g. high absenteeism, low productivity, and bureaucratic inefficiency.

In 1982, the government introduced a long-term program of economic stabilization. The currency was devalued by 20 % and drastic measures were taken to limit consumption, especially investment and personal consumption. Taxes were raised on consumer goods, leading to a 1.5 % rise in the retail price index and a 1.2 % rise in the cost of living index. Cooking oil, coffee, electricity, and gasoline were rationed throughout the country with food products also rationed in the capital and some other areas.

Imports were restricted through partial expropriation of foreign currency owned by exporters. Exports to hard currency countries were stimulated and the share of imports covered by exports went up.

The 1983 plan foresees a 1 % growth in GDP, with industrial output up 2 % and agriculture up 2.5 %. Investment is expected to fall by 20 %, social consumption by 10 %, personal consumption by 6 %, and real income by 7.5 %. The plan projects a 20 % rise in prices.

Exports are projected to grow by 9 % with a 20 % increase to hard currency areas. These will be encouraged by abolishing taxes on exported goods and services and giving export production preferential financing, especially shipbuilding and turn-key plant assembly.

All company imports will be linked with their export results. Energy will take 17 % of total imports. The government will decide priorities on imported products and materials from convertible currency areas. Emphasis will be on raw materials for the production of pharmaceuticals, detergents, mineral fertilizers, medical equipment, and baby food. Excepting spare parts, machinery and equipment imports are expected to fall by 50 %.

$ 19.2 billion of Yugoslavia's total $ 20.6 billion debt in 1982 was hard currency. $ 4.5 billion of this was owed to Western governments. $ 3.7 billion was owed to multinational financial institutions; $ 1 billion was owed to Middle Eastern governments; and the rest was owed to Western commercial banks. The country's net reserves are estimated at $ 8.2 to $ 8.5 billion, but debts from other centrally planned states make up a large part of this reserve.

In March 1983 fifteen Western governments, international financial institutions, and Western commercial banks reached an agreement to help Yugoslavia overcome its current economic problems. The rescue package includes new loans totalling more than $ 3.4 billion, plus a rescheduling of $ 1.4 billion in medium-term debts due in 1983. The package takes the following form :

- $ 1.36 billion in medium-term credit from the "Group 10" governments plus Austria, Denmark, Finland, Switzerland, and Kuwait;
- more than $ 600 million from the IMF as the third annual installment of a stand-by credit facility for 1981-83;
- $ 500 million from the BIS in the form of short-term bridging loans given over six months. The first $ 300 million was made available in March 1983, with the balance to be given after decisions on collateral;
- $ 350 million from the World Bank, based on a prior agreement to continue providing new finance for Yugoslavia;
- $ 600 million in new loans from commercial banks.

In addition to this, Yugoslavia arranged a further rescheduling of $ 1.8 to $ 2 billion in short-term debts due in 1983 and obtained a $ 120 million short-term hard currency loan from China.

The Yugoslav authorities stressed their willingess to introduce the austerity measures sought by the IMF, but underlined the political limits of a policy that demands great sacrifices from the population.

The austerity measures consist of :

- a drop in the dinar exchange rate
- higher interest rates
- selective price increases
- reduced investment
- a decline in real wages.

These steps are designed to help Yugoslavia to reduce inflation to 20 % and decrease its convertible currency deficit. The drop in world oil prices, the decline in world interest rates, recovery in the West, plus greater internal management efficiency are also possible contributors to Yugoslavia's recovery, though some outside economic analysts are dubious.

IV. WAR-RIDDEN ECONOMIES

Military hostilities with insurgents and/or invaders – virtual wars in some countries – dominate the affairs of these eight centrally planned economies: Afghanistan, Angola, Cambodia, Ethiopia, Laos, Mozambique, Nicaragua and Vietnam.

To these can be added Cuba which, like Vietnam, is a heavy supplier of both troops and equipment to various of the countries.

Strictly speaking, the Soviet Union should also be included in this group, since it has 110,000 soldiers fighting in Afghanistan. But this military involvement has less impact on the Soviet economy because of its size.

These hostility – dominated economies are among the poorest countries of the world. Per capita GDP is only $ 90 in Cambodia, $ 100 in Afghanistan and Laos, $ 150 in Ethiopia, and $ 170 in Vietnam. At the same time their military expenditure is especially high. It reaches 20 % of GDP in Angola, 16 % in Laos, 14 % in Vietnam, 10 % in Cambodia and Ethiopia, more than 8 % in Cuba and 7 % in Mozambique.

There are a variety of reasons for the economic difficulties these countries are experiencing, but they are being aggravated by the war efforts and the inefficiency of their economic systems.

Consequently they are all seeking economic aid – not only from the Soviet Union and other centrally planned countries, but increasingly from the West. The attitude of the Western states differs from case to case, from the generous like France to those that give very little assistance, like the USA.

The future development of these countries depends largely on the outcome of their wars and on the help given by the West – either to the governments or their opponents. Though somewhat remote, one cannot exclude the possibility that some of the present governments may fall.

Table 18 : Basic Data on War-Ridden Economies

	Inhabitants (mn)	Area (000 km²)	Density (/km²)	GNP 1981 ($ bn)	p.c. GNP ($)
Afghanistan	22.6	636.4	35.5	2.3	100
Angola	7.3	1,246.7	5.9	4.1	560
Cambodia	9.0	181.0	49.7	0.8	90
Cuba	10.1	114.8	88.0	13.1	1.300
Ethiopia	32.6	1,221.9	26.7	4.9	150
Laos	3.8	236.8	16.0	0.4	100
Mozambique	10.8	785.0	13.8	2.9	270
Nicaragua	2.8	139.0	20.1	2.2	800
Vietnam	53.5	329.8	162.2	9.1	170
War Economies	152.5	4,891.4	31.2	39.8	261

Afghanistan

The country is now divided into two parts whose boundaries are determined by internal fighting. About 20 % of the country, including mainly the bigger cities, is dominated by 110,000 Soviet troops. The rural areas are in the hands of the Afghan guerrillas. After three years of war, the economic situation in both parts of the country is extremely difficult. An official report this spring said the war's destruction so far equals the last ten years' investment in the country's infrastructure.

The part dominated by the Soviet troops has food shortages, especially wheat and rice. This led to soaring food prices and a flourishing black market, particularly in Kabul. There is extensive compulsory conscription of all men aged 17 to 45 in these regions and large-scale emigration to other areas. To date 4 million people have emigrated from the country.

To overcome shortages, there have been increased imports from the Soviet Union of chickens, vegetable oil, rice, textiles, building materials, medicines, tea, cigarettes, milk powder, soap, and other commodities. But because of heavy sales of natural gas, Afghanistan still has a trade surplus with the USSR.

Afghanistan has problems buying in other countries; even East Germany demands dollars. But the country has still managed to spend $ 90 million, mainly in Singapore, Hong Kong, Taiwan, South Korea, and Japan. Its debt to the West rose from $ 454 million in 1970 to $ 1,099 million in 1980 and continues to increase.

In areas held by anti-Soviet guerrillas, many crops have been destroyed by Soviet planes spraying napalm. The economy of this part of Afghanistan serves predominantly to support the armed fight, which receives insignificant outside help.

Angola

The most important aim of the 1981-85 Five Year Plan is to develop agriculture as a source of industrialization and import substitution. This will be promoted by the supply of fertilizers, tractors, and other agricultural machinery.

The Soviet Union will probably serve as the model for agricultural development, with Angola following its increases in state and cooperative sectors and curtailment of private initiative. By 1985 the state plans to increase its share of the sector to 70 % on average, covering total production of bananas, pineapples, palm oil, poultry, eggs, and milk; 60 % of pork production; and 20 % of beef.

In other crops, the cooperative sector is scheduled to show a predominant increase, attaining 6 % of total production. By mid-1982, there were already 300 cooperatives employing 52,000 people. The remaining 24 % of agricultural production is being left to the peasant associations, which now include some half a million people.

State participation in non-agricultural production should also increase, especially in mining. There is already a state monopoly on imports of agricultural machinery, foodstuffs, textiles, shoes, hygiene products and transport equipment.

Export substitution is planned, especially for corn, rice, beans, bananas, and cotton, along with increased exports of coffee.

The plan foresees a larger share for other centrally planned countries in its foreign trade. But Angola is also interested in developing trade with the West and a top-level delegation visited the USA in 1982 to encourage these links. The country is generally considered a pragmatic and reliable partner in business.

In 1982, Angola spent 20 % of GDP on military purposes. Twenty thousand Cuban troops support the government, in its fight against guerrilla forces, who now control parts of the country, including most of the Kuando-Kubango Province. Little is known about economic development in these regions.

Cambodia

Since Vietnam's occupation of Cambodia in the late 1970's the newly installed government has been striving intensively to restore the economy, which was practically destroyed by the previous utopian communist Red Khmer regime.

10 % of GDP is allocated for military purposes. A significant part of the country is controlled by some 50,000 Cambodian troops, who are recognized by the United Nations as struggling against foreign occupation of their country by some 250,000 Vietnamese troops.

In 1982 rice production, the main crop, increased by 25 % and reached 1.7 million tons. Acreage of other crops also increased, especially technical crops. Rubber plantations were restored and by mid-year there were 20 state farms producing livestock, especially beef and poultry. Attempts are being made to restore textile and industrial production, with emphasis on fertilizers to aid agriculture. Much attention is also being paid to developing transport facilities.

There are an increasing number of serious difficulties, with food shortages a major problem. More than half the young people suffer from moderate or severe malnutrition. The country is having difficulty securing supplies of clean water to help prevent increases in disease. Many factories are still idle.

These problems are partly due to the former Red Khmer regime, but they are also caused by recent policies. Vietnamese civilians are now settling in Cambodia. Half a million used to live there, but few survived the Red Khmers. The continuous occupation of the country and the consequent internal battles, cuts in foreign aid, the re-education camps, campaigns against religion, and intensive indoctrination policies are all discouraging economic efforts.

In 1983 Western donors, pledged around $ 45 million in aid to Cambodian refugees, now in camps within the Thai border. Only Sweden gave its $ 1.6 million pledge directly to the Cambodian government.

Failure of the USSR to provide promised economic relief dashed the government's hopes. This in turn frustrated the people, who have become less confident of the regime and less willing to support it.

Success of the 1981-85 Plan will rely to a significant extent on help from Vietnam and the Soviet Union. Food crops are supposed to rise by 2.5 to 2.8 million tons by 1985, with the rice crop reaching 2.3 to 2.5 million tons. Production increases are also planned for cotton, sugar beet, oleaginous plants, and other technical crops. Fish production is slated to increase from 72,000 tons in 1982 to 100,000 tons in 1985.

Cuba

Cuba's economy grew by 2.5 % in 1982, with a 4 % average increase in agricultural production. This was due mainly to a record rice crop (496,800 tons) and a 10.8 % increase in sugar production (up to 8.2 million tons from 7.4 million tons in 1981). Productivity in sugar increased by 11 %, probably because Cuba now has the world's highest number of sugar combine harvesters. Metallurgy production was also up by 1.3 %, but overall investment decreased by 10 %.

The drop in sugar prices has contributed to Cuba's diminishing income in foreign currency. The economy faces serious problems because of the inefficiency of its system, emigration, and high spending on military and economic aid to similar regimes in developing countries. This burden is partly relieved by the Soviet Union, which finances about one-quarter of Cuban GDP.

Cuba's hard currency reserves dropped to $ 110 million in mid-1982. The country has a hard currency debt of $ 3.2 billion. In late summer last year Cuba asked Western commercial banks to grant a three-year grace period on the principal due between 1982 and 1985 and to spread payment over 10 years. Short-terms loans were not included. Apprehension arose when it was thought Cuba might stop repayments on the principal and only continue paying interest until the end of 1985.

In March 1983, Cuba secured an agreement to reschedule one-third of the $ 1.2 billion due Western creditors. It will repay 5 % of the $ 413 million in two equal installments at the end of 1984 and 1985. The balance will be repaid over an 8 1/2-year period after a 3 1/2 year grace period. Negotiations for a further $ 600 million loan started in April. France has meanwhile granted two new credit lines for FFr. 200 million for 1983.

Cuba's 1983 plan foresees a 2 to 2.5 % growth in GDP with an 8 % increase in sugar production and a 12 % increase in nickel production. Exports are slated to increase by 10 %.

The Five Year Plan for 1981-85 projects higher export prices for sugar, increased productivity, higher nickel exports, and increased tourism. Cuba's military expenditures and foreign involvements make these goals questionable.

Military expenditure in 1982, amounted to 8.4 % of GDP. Cuba has a military force twice the size of Mexico's; its troops are now fighting liberation movements or acting as advisors to governments in many countries. Cuba also equips the guerillas in Colombia and other states. In 1982 the Soviet Union delivered about $ 1 billion worth of armaments to Cuba – 68,000 tons against 63,000 tons in 1981. This is 20 times more than total US military assistance to the whole of Latin America.

In addition there are Cuban doctors teaching in South Yemen; Cuban technicians building plants and roads in Ethiopia; and Cubans teaching in schools and building houses and roads in Libya. Cuba has also financed and built dozens of bridges in Angola, roads in Nicaragua, a modern hospital in Vietnam, an airport in Grenada, apartments in Iraq, and a higway across Guinea.

Ethiopia

With war and drought, agricultural production as a whole is stagnating. Crop yields for 1982 were down by 20 to 50 %. But since 1976 industrial production in the 159 nationalized plants – covering some 90 % of industry – has risen by 82 %. Inflation is running at about 20 %.

The 1983 plan projects a 9 % growth in industrial output. It envisages developing the industrial base through construction of a cement factory, a textile complex, and a sugar factory. The Soviet Union is helping to build a hydroelectric station and a tractor factory and is becoming Ethiopia's main oil supplier. While trade with the USSR and other centrally planned countries has increased substantially, the US, though vilified as enemy number 1, still remains Ethiopia's major trading partner through its coffee imports.

10.2 % of GDP is allocated for military purposes. Ethiopia's army of 300,000 soldiers is the biggest in black Africa. Added to this are 15,000 Soviet and Cuban troops and an unknown number of East German soldiers and advisors. To date Ethiopia owes the USSR $ 2 billion for armaments.

War is going on though less conspicuous with Somalia and against insurgents in Eritrea, Tigray, and southern and western provinces. The war has disrupted road transport. Crops and cattle are being confiscated by troops on both sides. As a consequence certain foodstuffs are rationed. More than 2 million people are threatened by starvation.

One effect of the fighting is that 4.5 million people are living as virtual refugees within their own country, causing a lack of workers and professionals. Some 200,000 refugees are living in Somalia and another 150,000 in Sudan. Difficulties are increased by the regime's policy of expanding " revolutionary re-education camps " for its opponents.

Ethiopia asked for international aid in August and November 1982 and is expected to ask for more in 1983. The country needs some 500,000 tons of cereal.

Its total debt rose from $ 169 million in 1970 to $ 728 million in 1980 and continues to grow. The government is hoping to finance a major part of its 10-year plan with Western aid added to that from the Soviet Union and other centrally-planned states. For that purpose Ethiopia is now mounting a major aid drive in the West.

The regime agreed to compensate Western firms nationalized after it took power in 1974. This move prompted the US to drop its objections to a World Bank loan and allow funds to flow into the country. The European Community in 1982 granted

Ethiopia $ 400 million in aid from the European Development Fund and sent 78,000 tons of cereal.

Ethiopia hopes to attract private investment from the West, especially in the oil prospecting sector. At the start of 1983 a new law was approved on foreign investment and joint ventures. This grants relatively liberal conditions for investors, including repatriation of profits and guarantees.

Representatives of areas not under control of the central government argue that their regions also need help and claim the regime misuses Western aid. The only help these areas get is from Sudan, which is not enough for their needs.

Laos

1,08 million tons of rice were produced in 1982 and new land is being prepared through irrigation and other measures to increase production further. There are now 1,770 agricultural cooperatives employing 70,000 peasant families – more than 40 % of the agricultural work force.

Laos uses 16 % of its GDP for military purposes. The war between Laotians and the 45,000 Vietnamese occupation force continues. Concentration camps, called " re-education camps ", provide cheap if unmotivated labor. Last year inflation ran at 60 %.

The 1981-85 Five Year Plan projects a 65 to 68 % increase in national income with agriculture serving as a base for industrialization. Agricultural output planned is to grow by 24 %, with increases in rice production to 1.4 million tons, the number of cattle by 7 %, and the number of pigs by 6 %.

Industrial production is slated to increase 2.2 times during the period, mainly through a 40 to 45 % increase in the number of workers. Priority is being given to expanded mining of iron ore, manganese, copper, lead, tin, and precious metals. Production of salt, natrium chloride, gypsum, and potash will also be developed. Emphasis is being laid on expanded energy production through coal, oil, and development of hydropower.

Foreign participation is envisaged for development of the tin and timber industries. Sweden is already participating in the timber field. Encouragement is being given to the creation of mixed companies. The first was established with Japanese participation. There is also a project to build Laos' first railroad.

Overall exports are expected to increase 3.4 times by the end of the 1981-85 Five Year Plan. Of this, exports with centrally planned countries are to go up 6.8 times and exports with other countries 2.8 times.

Mozambique

Agricultural production grew by 13 % in 1981. Output in the 54 large state farms increased by 17 % and in the 195 cooperatives by 32 %. By 1982 1,000 collective villages were established, mostly dealing with agricultural production. Tea was the best crop and had the highest yield. The 1982 plan stipulated a 32 % growth in agriculture.

Industrial production grew by 7 % in 1981 with a 24.5 % increase planned for 1982. Full figures for 1982 are not available, but it is doubtful the plan was achieved. Highest production came from the coal mining, building, and energy-producing sectors.

Emphasis last year was put on increased production of cashew nuts, shrimps, cotton, sugar, and tea (which are all export products), as well as rice, corn, potatoes, fish, meat, soap, matches, suits, shovels, and machetes.

The balance of payments deficit increased from $ 286 million in 1979 to $ 319 million in 1981.

The plan for 1983 foresees a 7 % increase in industrial production, a 7.5 % increase in agriculture, and a 6.5 % increase in transport.

By 1985, plans call for national income to increase 10 to 12 % over 1982 figures with industrial production up 12 to 15 %. There are possibilities for aid-financed imports to rehabilitate equipment, factories, and the infrastructure – especially if they are related to agriculture.

Mozambique's main economic problems, especially in the state sector, are caused by decreased prices of exported goods, insufficient use of existing industrial capacity, a shortage of basic commodities, and a deficit in foreign currency needed to buy indispensable spare parts, equipment, and raw materials.

Added to this, a devastating drought in 1982 left the country facing its worst food crisis in 50 years. It cut local food production to 115,000 tons while rice production in the Limpopo Vally – the main growth area – virtually collapsed. In January 1983, Mozambique asked international organizations for 350,000 tons of cereal.

Nine of the ten provinces are affected to varying degrees by the government's fight with the MNR liberation movement, in which some 10,000 men are fighting against the present regime. Official figures say 7 % of GDP is used for military purposes. The government has also set up " re-education " camps.

Turned down for membership in COMECON, Mozambique is seeking more aid from the West, especially from the European Community. The possibility of its joining the Lomé Pact still has not been excluded. Closer ties with the US are another possibility. A new security agreement with Portugal has recently been concluded.

Nicaragua

GDP declined by 3.5 % in real terms in 1982 after an 8.9 % growth in 1981. The " battle " for coffee production - a term commonly used in newly emerging centrally planned economies - resulted in 64,600 tons. Part was sold to COMECON countries for the first time last year. Cotton also found an outlet in these countries. Attempts are now being made to sell more sugar to Mexico, Iran, and Algeria.

Export revenues from coffee, cotton, and sugar in 1982 totalled $ 228 million less than in 1977, but imports for the year were $ 779 million higher than in 1977.

Factory production has plummeted and there are rising layoffs. The high proportion of people fighting on both sides is causing shortages of skilled workers. The cost of living is soaring with inflation at 35.7 %. Average per capita income has substantially declined, partly due to high population growth.

Supply problems cause increasing lines at shops and the black market is flourishing. There are frequent shortages of toothpaste, toilet paper, soap, pharmaceuticals, and fuel. Many products are now rationed, including salt, sugar, flour, rice, beans, milk, chicken, soap, cooking oil, and gasoline. But the rationing system is political. Coupons for many rationed products are obtained only by attendance at " re-education meetings ".

The private sector still accounts for some two-thirds of the economy, but while the government talks about a constructive relationship with business, anti-business slogans are chanted by mobs and scrawled on walls. Private businessmen complain of price and currency controls, a government export monopoly, competition from government-sponsored retail outlets and other restrictions. New prohibitions keep appearing : e.g. forbidding liquidation of business holdings, the collection of rents, and eviction of tenants.

There is a permanent curfew, but armed gangs, " Turbas " protected by police, search out " reactionary elements " at night and often burn houses. Some land and businesses have been confiscated. There are now about 20,000 political prisoners. More than 10,000 advisors from other CPE countries are in key positions all over Nicaragua.

Anti-government forces are active and have captured some towns, but the situation is very fluid. There is an increasing stream of refugees from the country – reaching 25,000 by spring 1983.

Nearly 40 % of all males over the age of 18 are now in the armed forces. There are plans to build an armed force of 250,000, so that one in every 10 Nicaraguans would be in the military or police. Thirty-six new military bases are under construction and armaments are being delivered in big quantities, especially from the Soviet Union, East Germany, and France.

To add economic pressures to its anti-government stance, the United States will cut its imports of sugar from 51.789 to 6.000 tons. Since sugar earnings represent only 3 % of the country's total export sales, this move is not a serious economic blow and was intended more as a warning. But the Nicaraguan authorities consider it a hard knock as it will reduce export earnings by some $ 12 million.

Nicaragua is short of ready cash and has problems paying for its imports. Its annual balance of payments deficit on current account in 1982 is estimated at $ 450 million. This was financed by external borrowing. In March 1983 Bulgaria granted a $ 140 million credit for three years. In 1982, Nicaragua received 40 % of its gross funding from centrally planned states and the rest from multilateral institutions (like the Inter-America Development Bank) and Western nations.

The country's total debt amounts to $ 2.8 billion, compared with $ 155 million in 1970 and nearly $ 1.7 billion in 1980. Nicaragua may fail to repay $ 48 million due to international bank creditors in 1983, but it expects new loans from US banks. It recently asked its commercial bank creditors to defer payment over the next 10 years of some $ 100 million in interest and principal due in 1984.

Vietnam

Due to a 7.6 % increase in agricultural production the economy grew by 3 % in 1982. A 9 % rise in rice yields, an 8.5 % increase in hog stocks, and the 16.3 million tons of cereals produced allowed a significant decrease in imports. Only 17 % of food consumption had to be imported in 1982 against 33 % in 1981. But 2 million tons of rice still had to be imported and food supplies do not meet the needs of the increasing population.

The country's economy is in a catastrophic state. Even the Vietnamese government partly admits the mismanagement in the system. In addition, typhoons destroyed more than 1.2 million acres of rice fields and many irrigation and communication systems in 1981. The halt in Western aid (except from Sweden and France) following Vietnam's occupation of Cambodia contributed to economic difficulties.

There are a host of other problems, including the fact that 14 % of GDP goes for military purposes, supporting an army of one million – the fourth largest in the world. One quarter of its soldiers are now fighting in Cambodia. There are thousands of guerrillas opposing the government, which holds about 60,000 political prisoners.

The drive to forceably collectivize agriculture in the South is having bad effects. There is an immense shortage of qualified people caused by arrests of managers and intellectuals into eight " re-education " camps, repeated purges of people in responsible posts (including party members), and expulsion of the industrious Chinese minority. The tripling of Soviet oil prices in 1982 caused even more difficulties. Corruption has increased everywhere.

Most industrial enterprises suffer from shortages of raw materials and spare parts and are under-using capacity. Increasing unemployment was partly eased last year by sending 200,000 workers to the USSR and other European CPE countries. The situation is reflected in decreased production of coal, electricity, steel, fertilizers, textiles, and cement.

Total exports dropped in 1982. Vietnam exported mainly coal, rubber, timber, spices, and coffee, most of which went to the Soviet Union and other centrally planned states.

Inflation is growing by 50 % a year, with especially high increases for imported goods. On the black market a chicken sells for one month's salary. The monthly rice ration per person fell from 14 kg to 11.7 kg.

A high percentage of the population suffers from undernourishment. At $170 per year, per capita income is one of the lowest in the world.

The Soviet Union spends an estimated $6 million a day to support the Vietnamese occupation of Cambodia and ease the strain on the Vietnamese economy. To improve the economic situation the government removed some troops from Cambodia and is discussing some relaxation of the rigid management system. It has started putting skilled people into managements posts, instead of using them as rewards for war veterans. But foreign trade will remain centralized.

Vietnam is now incapable of repaying its debts. Foreign currency reserves sank from $ 98 million in 1980 to $ 16 million by the end of 1982, while the country's debt last year rose by $ 500 million. The IMF estimates that total debt in non-convertible currencies amounts to $ 2.2 billion, but other sources say the debt to the USSR alone surpasses $ 3 billion. Vietnam's debt to hard currency areas totals $ 1.4 billion, mostly to Iraq, Algeria, Japan, France, and banks in Japan and Western Europe.

Some European companies are taking part in infrastructure development projects. A Swedish firm is building a paper mill; a Finnish firm is involved in a project related to shipping; a Dutch firm is helping to finance an irrigation system; and a French firm is in a joint venture to produce pharmaceuticals.

The US prohibits American companies from doing business with Vietnam. It also lobbies against UN development grants and discourages allies from offering aid.

For the 1980's the Fifth Party Congress decided to concentrate efforts on satisfying the population's basic needs : developing agricultural output and the production of consumer goods for export; preparing the base for a speedier development of heavy industry; finalizing the socialist transformation of the South; and strengthening defense, security, and order.

V. SOME OLD; SOME NEW

This catch-all group of the world's remaining centrally planned states have very different histories. Mongolia is, with the USSR, one of the only two Communist states that pre-dates World War II. Albania and North Korea adopted the system after that war. These three countries are relatively isolated from world markets, but have shown signs recently of opening up to international trade.

Madagascar and South Yemen changed to central economic planning in the 1970's. They are still being gradually transformed, but have already reached a high degree of central management.

Grenada and Surinam are two recent newcomers on the American continent. Their regimes are relatively new, and are only beginning to introduce central economic planning.

Despite their differences, all of these nations experienced economic difficulties in 1982 that were typical of centrally planned economies.

Table 19 : Basic Data on Some Old; Some New

	Inhabitants (mn)	Area (000 km²)	Density (/km²)	GNP 1981 ($ bn)	p.c. GNP ($)
Albania	2.7	28.7	94.1	2.6	980
Grenada	0.1	0.3	333.3	0.1	790
Madagascar	9.6	587.0	16.4	3.5	360
Mongolia	1.8	1,565.0	1.2	1.3	740
North Korea	18.3	122.4	149.5	19.2	1,050
South Yemen	1.9	287.7	6.6	0.9	490
Surinam	0.4	163.3	2.4	1.3	3,200

Albania

National income grew by 4.4 % in 1982 with industrial production up 4.7 % against a target of 6.4 to 8.4 % growth. In 1983 national income is supposed to rise by 8.3 %.

The 1981-85 Five Year Plan projects an overall increase of 35 to 37 % in national income and industrial production and a 23 to 25 % increase in agricultural production and investment. More than 11 % of GDP is allocated for military purposes each year.

Foreign trade is to expand dramatically. Albania is seeking more trade relations with the outer world, including the West. But it remains resolute in basing its economy solely on its own resources and refusing foreign loans.

By 1985 exports are projected to grow by 58 to 60 % in real terms compared with 1980. Emphasis will be on exports of raw materials, especially refined fuels and chemicals. The plan limits import growth to 58 %. The priority here will be on equipment for mining, raw material extraction, and industrial production. For these imports, more supplier credits might be requested on a short-term basis.

Grenada

In 1982, the economy grew by 5.5 % and the government boasts that unemployment dropped to 14 % through huge capital expenditure and increases in the army. But the country's large trade deficit now doubles total export earnings.

Both economic and military links have been intensified with other centrally planned countries. A new harbor and airfield are being built and new telecommunications networks are being extended. Nearly 40 % of capital spending in 1983 is earmarked for the airport.

An agreement has been signed with the Soviet Union for long-term buying of Grenada's nutmeg and cocoa and a grant of $ 1.4 million for Grenada to buy steel and other essentials. The USSR has also undertaken to finance a satellite ground station transmitting direct from the Soviet Union.

Since the People's Revolutionary Government seized power in 1979, there have been some fundamental changes in the country's economy. The island has practically changed into a military base. It has perhaps the world's highest percentage of population serving in the army and military (nearly 25 %) and the third greatest military capacity in the Caribbean after Cuba and Nicaragua. The government is giving a great deal of aid to similar movements, particularly in Dominica and St. Lucia, and is now training guerrillas from Trinidad.

Madagascar

Since the Vanguard of Malgash Revolution came to power in 1975, 80 % of firms have gradually come under state ownership. Central planning has been introduced in production and distribution and the number of agricultural cooperatives has increased.

Corruption, social strife, long lines at shops, and a black market have also appeared. There are problems supplying rice, meat, butter, and other daily food needs. The 1982-83 drought dried up water reservoirs and caused a low rice crop. Prices are increasing quickly with inflation at more than 30 %. The country is also having problems obtaining spare parts and getting the telephone grid, transportation, and electricity supply to function.

Total indebtedness increased from $ 93 million in 1970 to $ 1.035 billion in 1980 and continues to grow, with repayment amounting to two-thirds of all export receipts. Foreign capital is reticent about coming to the country.

The government has completed many ambitious projects, including the big Congress Center, the Government Palace, and a prestigious state university which is heavily under used. It has also built a tanning factory (although the country has no hides), a fertilizer plant (that does not produce the kind of fertilizers needed), and a factory to produce batteries (which has fallen idle because there was not enough money to buy raw materials).

Mongolia

Industrialization gets the emphasis in economic plans. In 1982 national income increased by 7.4 % with industry growing by 8.9 %. Despite investment, agriculture is stagnating and livestock production remains at the 1930 level. About 15 % of GDP is used for military purposes.

Foreign trade last year was mostly with the Soviet Union (78.7 %) and other COMECON countries. Only 2 % was with the remaining CPE nations and 2 % with the West and developing countries. The composition of foreign trade is not expected to change. In 1982, total exports were up by 18.7 % with imports up 11.9 %. Plans for 1983 show a 6.2 % rise in foreign trade with exports climbing by 6.3 %.

According to the 1983 plan, national income should increase by 7.6 %, productivity by 5.4 %, and material production will get 70 % of investment and absorb 15,000 of the country's 19,000 high school and university graduates.

Industry is expected to grow by 10.3 % over 1982. Highest growth is foreseen in energy, metallurgy, food products, light industry, and building materials.

Agriculture has a 9 % planned growth in 1983, with crops up 21 % and livestock production up 4.9 %. The government expects to achieve this through greater mechanization, use of more specialists, and expansion of arable land. By 1985 meat production is expected to increase by 3 %, milk by 25.4 %, butter by 15 %, and wool by 3.5 % compared to the 1976-80 Plan figures.

North Korea

What little information seeps out about North Korea's economic development indicates that in 1982 there was a good 9.5 million ton grain harvest and that about 17.7 % of GDP is used for military purposes. It has the world's fifth largest army, with 750,000 men.

The 1983 economic plan gives priority to developing electroenergy, mining, chemicals, metallurgy, engineering, and transport. Production of non-ferrous metals is expected to reach 1 million tons by 1985 and 1.5 million tons by 1988, which should increase exports. There are now serious problems with exports of non-ferrous metals, which have decreased foreign currency reserves. Consumer goods are generally drab and in short supply.

North Korea is also having problems repaying debts, especially to Japanese suppliers. The North Korean Foreign Trade Bank proposed a rescheduling plan to Japanese firms concerning repayment of some of the $ 100 million due them in 1985-85. The country has defaulted on several foreign loans and arbitrarily rescheduled others, piling up an overseas debt of more than $ 2 billion.

South Yemen

The Five Year Plan's main targets were not fulfilled for 1982. The revised plan foresees 70 to 80 % of the economy's resources coming from abroad, including credits. The major emphasis will be on developing industry, which will take 23.5 % of total investment. This is expected to bring some import substitution and increase exports. Agriculture will get 12 % of total investment and transport development 14 %, with priority on road building. A second large air base is under construction.

Production of aluminum, carpets, dyes, perfumes, textiles, plastics, salt, milk products, and bakery goods are expected to increase. Electricity production planned is to reach 600 million kwh by 1985.

The oil refinery in Aden will be modernized and production of car and airplane fuel, diesel fuel, and heating oil increased. A lot of attention is being paid to developing the fish industry, including canned fish products.

Under the Five Year Llan, non-oil exports should grow by 50 %. Fish products are expected to account for 40 to 50 % of total exports by 1985. Exports of cigarettes and salt are supposed to double. Exports of aluminum kitchen tools, carpets, and dyes are also expected to increase. The major agricultural exports will remain cotton, tobacco, coffee, and dried lemons.

A 16 % rise in imports of food products is foreseen, including rice, meat, sugar, milk products, tea, fruits, and vegetables. New technology and spare parts will be imported for industry.

South Yemen has one of the highest figures for military expenditure/GDP - estimated at 15.7 %. There are ten concentration camps and 28,000 Soviet troops in the country. The country's indebtedness to the West is increasing. It was $ 1 million in 1970 and reached $ 499 million by 1980.

Surinam

Much has changed for the worse in Surinam's economy since Colonel Bouterse came to power in 1980. Unemployment has reached 18 % and inflation 14 %.

Bauxite production slumped from 4.9 million tons in 1980 to 3.1 million tons by the end of 1982. Alumina and aluminum production also declined for the second consecutive year. The country's 1.4 million ton smelter is running at 70 % capacity. 1980's small public surplus has turned into a deficit equal to 5 % of GDP.

Dutch aid partly covered the problems (equalling 25 % of the budget). But the Dutch government suspended its $ 1.4 billion 10-year aid program after human rights violations, the last straw being the killing and torture of 15 politicians. Washington retracted its planned $ 1.5 million in aid. Surinam is also involved in the Nicaraguan situation and recently announced it would be sending troops there.

The new regime's proclamations against a market economy make firms feel insecure. There are various business restraints, including prohibitions against dismissing redundant workers. About 40 % of the work force is now in the civil service. Emigration has increased.

At the end of 1982, Surinam's reserves amounted to $ 170 million in foreign exchange, gold, and SDR – equal to four months' imports. To make up its $ 88 million current account shortfall, the government intends to decrease its reserves by $ 38.5 million in 1983 and raise some $ 50 million abroad. Applications are being made to the Inter-American Development Bank, the European Development Fund, and the European Investment Bank.

There are also hopes for some 20 million in loans from Western commercial banks and the IMF. Brazilian officials say they will offer Surinam an aid package that includes a major increase in trade.

APPENDICES

Appendix 1 : Explanation of terms used

Economic concepts often differ according to the statistical source used. In this study the COMECON, concepts of net material product (NMP), national income (NI), gross national product (GNP), and gross domestic product (GDP) are used. These differ slightly from the Western concepts because they do not include services of a non-productive nature. Since such services tend to play a relatively small part in centrally planned economies, the difference in concepts should not interfere greatly with interpretations of the figures.

The combinations of countries included in various regional or political groups also differ according to the statistical source. When this report speaks of " Western " countries, it refers to all OECD member states. United Nations statistics include Yugoslavia, Malta, South Africa, and Israel, but exclude Turkey. GATT statistics include Yugoslavia and Malta, but exclude Australia and New Zealand. COMECON statistics exclude Yugoslavia from " the West ", but include all the other countries mentioned.

When COMECON sources speak of socialist countries, they include the non-European COMECON members (Cuba, Mongolia, and Vietnam), as well as Yugoslavia, Albania, China, and North Korea. Some of the countries included as CPE nations in this study are sometimes quoted among developing countries.

Sources from OECD countries term the trade between the Federal Republic of Germany (FRG) and the German Democratic Republic (GDR) Intra-German trade and do not include it in foreign trade statistics. But GDR and COMECON foreign trade figures do include Intra-German trade. Unless otherwise noted, this study has included such trade in foreign trade statistics.

In this study all figures have been quoted in real terms and in $ US, unless stated otherwise.

Because most of the CPE currencies are non-convertible, official rates of exchange can be established arbitrarily and have no real impact on economic life within these countries. Thus, when internal economic parameters (like wages, GDP, etc.) are expressed in $ US, they cannot be compared exactly with similar parameters in the West or other CPE states. Different statistical sources also use different exchange rates between the $ US and national currencies.

Not all of the statistical information is available from official sources. The amount of data available on the individual countries differs greatly. Even this is sometimes biased because of the statistical methods used or because the reporting units seek to present the best possible results, despite controls by supervisory organs. Even the leaders exaggerate. It is impossible for outsiders to determine all of these biases precisely. Outside sources try to provide realistic estimates of the economic situation of these countries, but their estimates differ.

In writing this report the author has studied a vast range of material from both East and West. When data from official sources was not available or obviously did not reflect the real situation, estimates from various institutions in the West or the Conference Board were substituted. These are all noted in the list of sources used. Past figures used for comparative purposes have been taken mostly from previous Conference Board studies.

Because of the nature of the information on the countries covered and to avoid an abundance of technicalities, this overview concentrates on trends rather than exact figures and overlooks marginal discrepancies. Those readers wishing more detail on specific points are referred to sources quoted in Appendix 3. Should elaboration be needed, readers are invited to get in touch with the author.

The author wishes to acknowledge the great editorial assistance provided by Helen Bloom.

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Appendix III : Sources Used

COMECON Statistical Yearbook 1982

GATT : International Trade 1981/82

OECD : Statistics of Foreign Trade Series A

The Statesman's Yearbook 1982-83

L'Etat du Monde - François Maspero 1982

Le Nouvel Observateur - Atlas Econ. Mondial - 1982

East-West Fortnightly Bulletin

Eastern European Statistical Service

World Development Report 1982 (World Bank)

Economic Survey of Europe in 1982 (UN - Economic Commission for Europe)

Biulleten Inostranoi Kommercheskoi Informacii

Other professional and economic journals of centrally planned economies and Western countries

National statistics

Appendix IV
List of official names of countries

Name quoted in Overview	Official name	English translation
Afghanistan	DOULAT I JUMHOURIYE AFGHANISTAN	Dem. Rep. of Afghanistan
Albania	REPUBLIKA POPULORE SOCIALISTE E SHQIPËRISË	Socialist People's Republic of Albania
Angola	REPÚBLICA POPULAR DE ANGOLA	People's Rep. of Angola
Bulgaria	NARODNA REPUBLIKA BALGARIJA	People's Rep. of Bulgaria
Cambodia	KAMPUCHEA DÉMOCRATIQUE	Democratic Campuchea
China (1)	ZHONGHUA RENMIN GONGHEGUO	People's Rep. of China
Czechoslovakia	ČESKOSLOVENSKÁ SOCIALISTICKÁ REPUBLIKA	Czechoslovak Soc. Republic
Ethiopia	YATYIOPYA MANGUIST	Ethiopia
GDR (2)	DEUTSCHE DEMOKRATISCHE REPUBLIK	German Democratic Republic
Grenada	GRENADA	Grenada
Hungary	MAGYAR NÉPKÖZTARSASÁG	People's Rep. of Hungary
Laos	REPUBLIQUE DÉMOCRATIQUE POPULAIRE LAO	Democratic People's Republic of Lao
Libya	LIBYA ARAB JAMAHIRIYA	Socialist People's Libyan Arab Rep.
Madagascar	REPUBLIKA DEMOKRATIKA MALAGASY	Malgash Democr. Rep.
Mongolia	BÜGD NAIRAMDACH MONGOL ARD ULS	People's Rep. of Mongolia
Mozambique	REPÚBLICA POPULAR DE MOÇAMBIQUE	People's Rep. of Mozambique
Nicaragua	REPÚBLICA DE NICARAGUA	Republic of Nicaragua
North Korea (3)	CHOSON MINCHUCHUI INMIN	People's Dem. Rep. of North Korea
Poland	POLSKA RZECZPOSPOLITA LUDOWA	Polish People's Rep.
Romania	REPUBLICA SOCIALISTA ROMÂNIA	Soc. Rep. of Romania
South Yemen (4)	YAMHURIYA AL YEMEN AD DIMUKRATIYA A-SCHABIYA	Dem. People's Rep. of Yemen
Soviet Union	SOJUZ SOVIETSKIH SOCIALISTICHESKIH REPUBLIK	Union of Soviet Soc. Republics
Surinam	REPUBLIEK VAN SURINAME	Republic of Surinam
Vietnam	CÔNG HÒA XA HÔI CHU NGEÍA VIÊT NAM	Soc. Rep. of Vietnam
Yugoslavia	SOCIALISTIČKA FEDERATIVNA REPUBLIKA JUGOSLAVIJA	Socialist Federal Republic of Yugoslavia

Not to be confused with :

(1) Republic of China	ZHONGHUA MINGUO (Taiwan)
(2) Federal Republic of Germany	BUNDESREPUBLIK DEUTSCHLAND (W. Germany)
(3) Republic of Korea	DÄHAN-MINHUK (South Korea)
(4) Arab Republic of Yemen	JAMHURIYA AL ARABIYA AL YAMANIYA (North Yemen)

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Conference Board Publications on Centrally Planned Economies :

I. General - Reports

East-West Trade - The Lessons from Experience - 1971 (R-527)
Evolving Corporate Policy and Organization for East-West Trade - 1974 (R-635)
Interdependence in East-West Trade - 1980 (EM-1)
Economic Overview 1981 (included East-European Countries) (EO-2)
Economic Overview 1982 : Centrally Planned Economies of Europe (EO-5)
Eastern Europe's Trade with the West, 1982 (ERM 1936-1937)

II. U.S.S.R. (Articles from " Across The Board ")

" The Soviet Union is Becoming Less and Less Russian," ATB, May, 1981, p. 24-29. Demographic trends.
" The Russian Connection," ATB, Dec. 1982, p. 40-46. U.S.-Soviet grain trade.
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" A China Syndrome," ATB, May 1982, p. 63-65. Failure of Western scholars to protest the treatment of Chinese intellectuals during the Cultural Revolution.
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